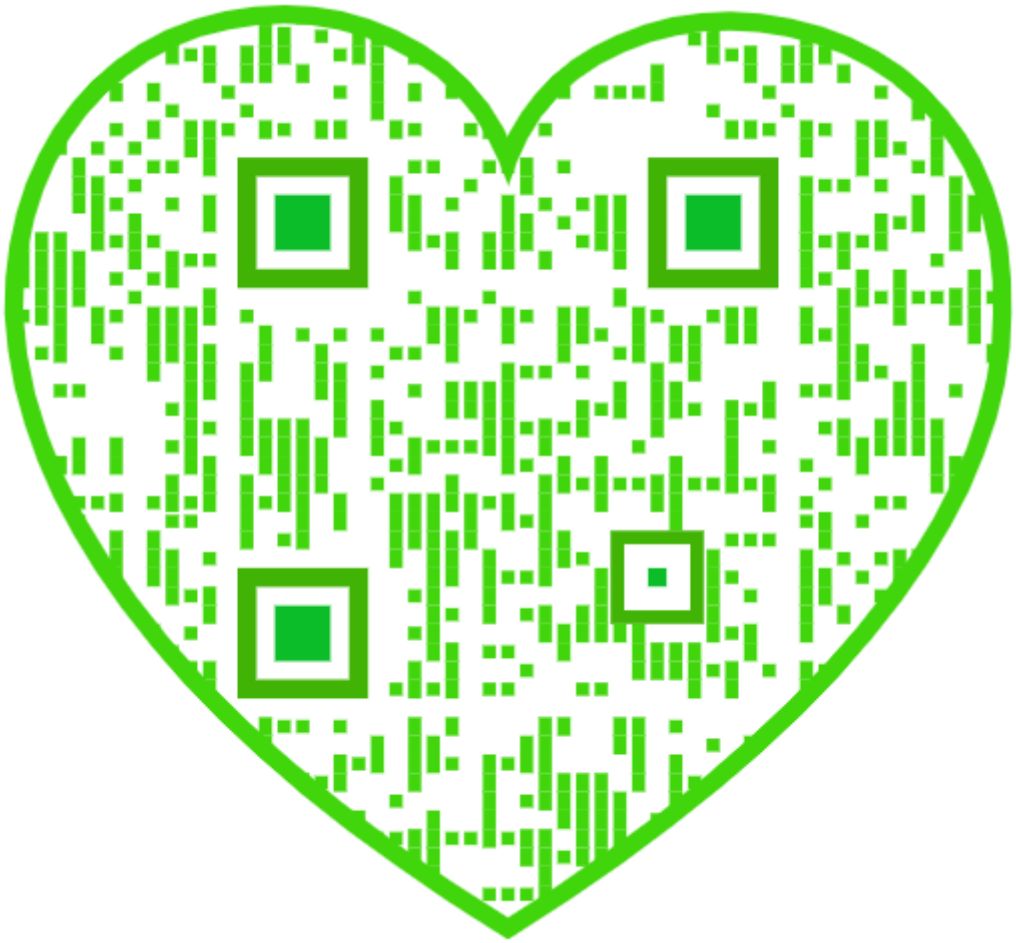
THE ENGLISH MANUAL OF BANKING.

BY

ARTHUR CRUMP.



WORKS BY ARTHUR CRUMP.

FOURTH EDITION.

THE THEORY OF STOCK EXCHANGE SPECULATION.

By ARTHUR CRUMP.

"If a man is blindly bent on speculation, we strongly recommend his taking this treatise as his guide to the philosophy of the matter."—*Saturday Review.*

"A useful treatise."—*Standard.*

"Will prove of interest and value."—*Law Times.*

LONDON: LONGMANS, GREEN & CO., PATERNOSTER ROW.

SIXTH EDITION.

Just Published, in Imperial 4to.

THE KEY TO THE LONDON MONEY MARKET.

By ARTHUR CRUMP.

"A very useful work."—*Times.*

"It is to be hoped that not a few will test the value of this 'Key,' and will consequently be warned in time to protect themselves from ruin."—*Athenæum.*

"Indispensable for purposes of reference to all who are concerned with the Money Market."—*Daily Telegraph.*

"Its importance is now generally recognised."—*Financier.*

"It is a very trustworthy authority as a work of reference on almost any question concerning our Money Market."—*Standard.*

"Some highly appreciative views are taken of those practical operations in business whereby capital is economised, deposits utilised, and the circulation governed."—*Money Market Review.*

"Commercial men will find in Mr. Crump's laborious compilation a vast deal of indispensable information arranged ready to hand."—*Pall Mall Gazette.*

LONDON: LONGMANS, GREEN & CO., PATERNOSTER ROW.

302.

THE

ENGLISH MANUAL OF BANKING.

BY

ARTHUR CRUMP.

FOURTH EDITION,

REVISED AND ENLARGED.

LONDON:

LONGMANS, GREEN, & CO.

1879.

(ALL RIGHTS RESERVED.)

Price 15*s.*

HG1601
.C8

30648

LIBRARY OF THE UNIVERSITY OF CALIFORNIA.

PREFACE.

The following pages are the result of a revision and enlargement of a small book on banking and kindred subjects which was published in 1866 under the title of 'Banking Currency and the Exchanges.' Exceedingly imperfect as that little work was in many respects, the public absorbed nearly one thousand copies, and that satisfactory result, all things considered, has been we think due almost entirely to the fact that it was a book about banks and banking, written after going over the ground and ascertaining by years of experience among bankers what the uninitiated wanted to know on the subject. While distinctly repudiating the smallest intention to disparage the meritorious and useful works on banking which many writers, having little besides theoretical knowledge to guide them, have published, we cannot refrain from remarking that it is impossible for writers thus equipped for the work to produce books on banking or any other science which shall be anything better than a partially safe and sound guide. No demonstration is required to prove to any one that unless a writer has practically seen for himself why this and that reform has been introduced, what has been the ensuing result, and why one way of doing the business is preferable to another and so forth, the teacher is a self-taught guide, who as

Constable the painter said has been taught by a very ignorant person. Theoretical works on banking differ from practical treatises in this, that the theorist who knows little or nothing of the practice beyond what he has gained from books and hearsay, teaches to a great extent what he imagines to be instead of what he knows to be the practice. Readers can always feel whether their guide is treading along as if he did not fear to be heard by those who know, and whether or not he is quite familiar with the streams to be forded and the passes to be traversed. This revised and enlarged manual of banking makes no pretence to do anything more than to show to the best of our ability what banks are for and how they are worked. We have certainly in some respects gone over the limits marked out for the book of which this is the second edition, but that has been necessary for the simple reason that in ten years there have been some changes. These changes have likewise given rise to certain suggestions upon which we have ventured. We have not gone much into the subject of foreign banking, because banking abroad is very little developed as compared with this Kingdom; but we have devoted a few pages to it that the reader may compare the progress which neighbouring countries are making in this important science.

To preserve satisfactory and truthful records of the practice prevailing among bankers at different periods they should be taken as direct as possible to the pages of the book. This of course prescribes what is the most difficult of all methods of book-making. One of the reasons why people are so entertained by some of the best works of fiction is, that the narrative is made up in so many cases of the real truthful experience of the writer. Persons in the same class of life who read such works of fiction have had very similar experience; and if certain

circumstances have not arisen within the knowledge of all in that class they will probably have had such a complete second-hand experience that they will appreciate the reproduction of those circumstances with almost as lively a sense of pleasure as if they were of first hand. The rapid spread of knowledge in these times so familiarises every grown person with the elements out of which the doctrine of probabilities is constructed that every one can better gauge the truthfulness of statements generally regarding the ordinary affairs of life than in times when people had more to feel their way than to see it. This is why the simple tale that is true pleases most people more than a finely written narrative of a writer who trusts entirely to his imagination.

Treatises composed on the ground and in the atmosphere of the subject, although they may be in some respects inferior to those produced by purely theoretical writers, will have the colours nearer the truth, if we may use the expression.

The banking practice of the present day is the result of an infinite number of reforms, and from an economic point of view it has been brought to a perfection that leaves little to be desired so far as existing conditions are concerned. As business people of the better class have gradually forsaken the city, and indeed a great part of the metropolis as a place to live in, and have spread themselves over the suburbs, the business days have been shortened. A reduction in the hours during which the banks are open necessitates an earlier closing of mercantile offices. Saturday may be called now almost a *dies non*, and bids fair to be given up permanently to holiday making, a reform, if completely carried out, from which we believe more good than harm would result. The institution of Bank-holidays is a further encroachment

of comparatively recent date on the number of days in the year allotted to work ; all these movements in one direction show that what is lost in time must be made up for in despatch. Despatch in the execution of banking business is a force consequently which is constantly knocking at the door of Reform. Seven out of the twelve working hours the banks are open, and as the business increases a mere multiplication of hands is not all that is required to get the day's work properly finished. Even with the existing Clearing-House facilities, bank managers have a responsible time of it after the official bank hours. In the hurry that is inseparable from the work of getting all the cheques drawn against, passed to the debit of the drawers, mistakes will sometimes occur involving the bank in loss.

If a bank manager lays it down, as a rule, that he will not pay a cheque that is presented before the effects against which it was drawn are cleared, he is exposed to the risk of losing perhaps a good customer. For this reason cheques have frequently to be kept back while inquiries are made at the Clearing House. If all persons keeping banking accounts were to take care that the cheques drawn against should have time to be cleared the banker would be spared much trouble and often annoyance ; but in the same way that the banker closes his doors now at 4 o'clock and on Saturday at 3 instead of 5 and 4 respectively, as was the case formerly, the customer on his side studies his own interests, and in many cases uses the bank for his purposes to the fullest extent possible, regardless of the interests or convenience of the establishment.

Macaulay in his essay on Milton said, "Any intelligent man may now, by resolutely applying himself for a few years to mathematics, learn more than the great Newton

knew after half a century of study and meditation." Much on the same principle he who seeks to gain a knowledge of banking in the present day by studying a book which aims to photograph the practice, can understand in a short time the working of a system which is the result of the hard labour of generations of thoughtful men. The economic improvements introduced into the science of banking during the last forty years, have enabled the transactions in a day's work to be increased and executed with as much greater rapidity and certainty as in the parallel case of the transport of the population from place to place in a day by means of the locomotive.

Most writers, and especially theoretical writers, on banking are in our opinion too much given to hair-splitting in their definition of the technical terms employed. We refer to this point in order to state that we allow ourselves some latitude in this respect to escape a waste of time and space in discussing what are generally accepted as the precise definitions of the terms capital, money, value of money, and such like. In the strictly technical sense, no doubt, capital means that tangible surplus production which is preserved for reproductive purposes over and above what is required for consumption. The value of money is in the strict sense defined by the Latin *pecus*, cattle, or *pecunia*, and the Greek βοῦς, meaning the same thing. Our money is a different thing from the Greek coins with the ox stamped on them, although resting on as solid a basis. From the precious metals we have come to use paper to a large extent, and presuming always that paper, whether notes, bills of exchange or in any other form, can fall back ultimately on the more cumbersome but tangible *pecus* and βοῦς, we have come by degrees to speak of bank notes as capital. Sticklers for technical accuracy will, therefore, do us the favour to understand that when

speaking of capital, which in a variety of ways is a representative purchasing power, we mean that by which the two agencies (first), human beings employing their skill and energy, (secondly) on the globe on which they exist, are able to continue the reproduction of the necessaries and luxuries which are consumed.

The money market of London is a growth so much in advance of what any similar organization has ever reached, that a contemplation of the weak points in the system affords no other feasible suggestion for its improvement to our minds than that the lending business of London requires a representative government. Under the existing practice, if a bank finds out that it has made large advances to an unsound trader, instead of getting rid of him entirely out of the commercial system, an effort is made to hide his weakness and shift him and his liabilities on to some other bank. Instances of this have occurred within our knowledge. Instead of working together and for their mutual benefit and protection, under the present system each bank seems but to seek the destruction of its neighbour. Freedom is no doubt a great boon, and as a principle should be upheld whenever possible; but when freedom in certain departments of the world's affairs gives undue opportunities to one class to prey upon another, freedom then would seem to be less preferable than slavery. Political and social liberty are the greatest blessings men and women can enjoy; but to these there are limits, which the written law on the one hand defines, and the unwritten laws of good breeding and common sense define on the other. In commerce the law reaches but a limited number of the swindlers. Those who are detected and punished are to those who go unpunished as a drop to the water round the earth. To prevent the great community of capitalists from being cheated so that the cheat escapes through the

bankruptcy court, or through that capacious aperture for the retreat of the unsuccessful trader, "liquidation by arrangement," the lenders of London require some sort of council of bankers to frustrate the designs of such under-miners as Collie. The thing is not impossible, but like other reforms we are as yet, perhaps, hardly ripe for it.

With a view to obtain the results of as wide a range of experience as possible in the several departments of banking and the kindred subjects treated in the following pages we have sought the assistance of kind friends, and must not conclude these prefatory remarks without offering our sincere and grateful acknowledgments to Mr. John Douglas Farrell, of the Bank of England, Mr. R. O. Yeats, manager of the Alliance Bank, and Mr. Henry Martin, of the National Bank of India.

April, 1877.

CONTENTS.

PAGE

CHAP. I—*The Origin and Uses of Banks* . 1

Date of establishment of the earliest Banks . . 4

CHAP. II—*Private Banks and Joint-stock Banks* . 23

Mr. James Wilson's conditions on which success in Banking depends . 28
The counties first taking advantage of Joint-stock Banks being sanctioned sixty-five miles from London 31
Early progress of London and Westminster Bank . . . 32

CHAP. III—*Banker and Customer.*

What a Banker should be 34
Selection of a Banker 35
Joint-stock *versus* Private Banks 36
Opening Accounts 37
Accounts with Firms, Executors and Administrators, Trustees, Assignees, Married Women, Husband and Wife . . . 37-8
Drafts of an Agent 38
Deposit Accounts 38-9
Drawing or Current Accounts 39
Cash Credits or Overdrawn Accounts 40-1
Bankers' Remuneration 42-3
Advances on Bonds, Government Stocks, Railway and other Shares, Dock Warrants and Bills of Lading, Policies of Assurance, Title Deeds 44-5
Act to enable Assignees of Policies of Life Assurance to sue thereon in their own names 46-8
Property deposited for safe custody 49
Securities deposited against Advances 49
Judge's Order 49
Bankers' Books as Evidence, and Act to amend the Law referring thereto 49-52
General Hints to Persons having Banking Accounts . . 53
Death of a Customer 54
Bankruptcy of a Customer 54

PAGE

Bankruptcy of a Banker 54-5
Banker's Pass Book 55
Disclosing the State of an Account 55
Confidential Reports between Bankers . . . 55-6

CHAP. IV—*Cheques.*

What is a Cheque 57
How it should be drawn 57-8
Dates—Post-dating 58-9
As to Stamps 59
Must be payable to "Order" or "Bearer" . . 59-60
May be drawn for any sum in Sterling Money . . 60
Indorsement 60
Presentation 61
Crossed Cheques 62-8
Bankers bound to pay Cheques 69
Exceptions 69, 70
To whom the Banker is liable for negligent dishonour . 70
Forgeries 70-1
Cheque not a legal Tender 71
Cheque in payment of a Bill of Exchange . . 71
Cheques as evidence 71
Returned paid Cheques 71

CHAP. V—*Bills of Exchange.*

The use of a Bill of Exchange 73
The Form of Drawing 75-9
Respecting Alterations 79, 80
Agreement of Body with Figures 80
Drawn in sets 80
Presentation at Maturity, before Maturity, after Maturity . 81-2
Mode of proceeding with Dishonoured Bill . . 82-3
Notation of Protest, necessity for, and security of . . 83-5
Acceptance 86-7
Acceptance contrary to tenor 87
Stamps, Inland and Foreign 87
As to Bank Notes, Bills of Exchange, and Promissory Notes . 87-91
Indorsements 91-5
Bankruptcy of Acceptor 95
Statute of Limitations 95-6
Payment 96-8
Banker justified in refusing Payment . . . 98-9
Discounting Bills 99, 100
Indications in case of need 100-1
Copy of a "First" Bill 101

CHAP. VI—*Bills of Lading* . .102-3

PAGE

CHAP. VII—*Conditions on which the London Joint-stock Banks and the Scotch Banks do business with the Public* 104-18

CHAP. VIII—*Bank Management* . 119

Organization 120-6
Business 126-34

CHAP. IX—*Discount and Loan Business* 135-41

The Bank of England Rates of Discount from 1694 to close of 1876 141-4

CHAP. X—*Credit* . 145-51

Credit may be abused in several ways 151
Restriction of Note-issuing Banks 153
„ of Imperial Bank of Germany . . . 154
System of giving Credit to Traders revealed in 1875 . 155-7
"Billets de Complaisance" 161
An instance of the benefits to be derived from the legitimate use of Credit 162-3

CHAP. XI—*The Foreign Exchanges* . 164

"Simple Arbitration" and "Compound Arbitration" of Exchanges . 168
The "Nominal" and the "Real" Rate of Exchange . . 169
"Inland" Exchanges 171
The terms "Favorable" and "Unfavorable" Rates of Exchange explained 171
Loss of power by Bank of England to affect Foreign Exchanges 172-3
Exchanges, when London gives the fixed amount, and when London receives the fixed amount 174-5

CHAP. XII—*The next step in the Improvement of the System of Settling International Debts* . 177

Improved facilities for Transporting Specie have brought "Specie Points" nearer together 180-1

PAGE

CHAP. XIII—*Coins* . . 186

Methods by which Coins may be debased 191
Debasement of Coinage proceeded from two motives . . 199
Regulation of Royal Mints 201
Sidney and Melbourne Mints 210
Act of 1870, relating to Her Majesty's Mint and Provisions regarding the Coinage 210
United States Mint, its present constitution . . 215-17
Coinage Regulations of German Empire since 1873 . 218-20
" " " Scandinavia . . . 220-2
" " " Portugal 222-3
" " " Morocco 224
" " " the States which are parties to the "Latin Convention" 224-6
Coinage Regulations of Holland . . . 227-8
" " " Egypt 228-9
" " " Turkey since 1844 . . . 229
Silver Standard Countries—
Coinage Regulations of Austria 230
" " " Russia 231
" " " Mexico 232
South American Republics 233
Asia.—Particulars as to Currency of Hindostan, China, and Persia . 233-5
The question of an International Coinage . . 240-1
Coinage of England in Chronological Order from Athelstan to Victoria . 245-7

CHAP. XIV—*Currency.*

Demonetization of Silver by Germany, and its effects . . 254
Production of Gold and Silver throughout the World in the years 1852-75 258
Production of Gold and Silver in the United States for year ending 1874 262
Gold and Silver production of United States since 1847 . . 263
Addition to Supply since 1860 to June ending 1875 . . 263
Production of Nevada 264

CHAP. XV—*Bank Notes.*

Preliminary remarks 268
Establishment of the Bank of England 270
Suspension of Cash Payments 271
Increase of the Capital of the Bank 271
Acts creating the Bank Monopoly 271-2
Issue of Notes for £15 and £10 272

PAGE
Discontinuance of issue of Notes by London Bankers . . 273
Suspension of Cash Payments in 1797 275
Issue of £1 Notes 276
Effect of the Suspension on the Bank of England Circulation . 277
Depreciation of Bank Notes 278
Peel's Currency Bill 279
Cash Payments resumed 280
Panic of 1825 280
Establishment of Branches by the Bank of England . . 281
Country Joint-stock Banks of Issue legalised . . . 282
Bank of England Notes made legal tender . . . 282
Establishment of Joint-stock Banks in London . . . 283
Monetary Crisis of 1836 284
„ „ 1839 285
Bank Act of 1844 285-9
Clauses affecting the Bank of England 289
„ „ Country Banks 290
Annual averages of authorized and actual issues of Private Banks in England and Wales during the years 1844-76 . . . 292
Annual averages of authorized and actual issues of Joint-stock Banks in England and Wales during the years 1844-76 . . . 293
Annual averages of the authorized and actual issues of both Private and Joint-stock Banks in England and Wales during the years 1844-76 294
Irish and Scotch Banks Acts, 1845 295
State of the fixed issues in Ireland and Scotland . . . 295
Average issues in Ireland and Scotland . . . 296-7
Average issues of the Bank of England 299
„ „ United Kingdom 299
Total amount of fixed issues not backed by coin or bullion in United Kingdom in January, 1877 300
Working of the Acts of 1844-5 301
Panic of 1847 302
„ „ 1857 303
„ „ 1866 304-5
Controversy as to the opening of Scotch Banks in England . . 307

CHAP. XVI—*The Progress of Banking in the United States.*

The Bank of North America 314
„ „ New York 316
„ „ the Manhattan Company 317
The Merchants' Bank 317
The Bank of Massachusetts 318
The second United States Bank 323
The Safety Fund Act 325
The Wild Cat and Red Dog Banks 327

PAGE
Suspension of Specie Payments by all the Banks in the Country in 1837 328
Bank of Commerce of New York 329
The American Exchange Bank 329
Metropolitan Bank of New York City 329
Abolition of the National Bank. 329
Mr. Chase's National Bank Act. 330

CHAP. XVII—*Anglo-Indian Banking* . 333

Statement (A), showing the Liabilities and Assets of the Anglo-Indian-China Banks at 31st December, 1875 . . . 338
Statement (B), showing changes in aggregate Liabilities and Assets of the six principal Anglo-Indian-China Banks at 31st December, 1875, compared with 31st December, 1868 . . . 340
The Presidency Banks 341
Statement (C), showing Exports and Imports of India, and Council Bills drawn from 1870-1 to 1875-6 351

CHAP. XVIII—*The Bank of France and Imperial Bank of Germany.*

Bank of France 354
Branches of the Bank of France 357
German Imperial Bank 358
Banks which issue Notes circulating throughout Germany . . 361
Branches of the German Imperial Bank 361

CHAP. XIX—*The Negotiation of Public Securities at London, Paris, and Berlin contrasted.*

The London Stock Exchange 364
The Paris Bourse 366
The Berlin Börse 367
English and Continental Banking briefly contrasted . . 369

Table of Cardinal Numbers and Commercial Terms in Eleven Languages 374-5

THE

ENGLISH MANUAL OF BANKING.

LIBRARY OF THE UNIVERSITY OF CALIFORNIA.

CHAPTER I.

THE ORIGIN AND USES OF BANKS.

The word 'BANK' is derived from the Italian word 'banco,' signifying a bench, which was erected in the market-place, where it was customary to exchange money. The Lombard Jews were the first to practise this exchange business, the first bench having been established in Italy A.D. 808. The Lombards were a German people of Suevic origin, who, though not numerous, played a distinguished part in the early history of Europe. Lombard is derived from *Longobardi* or *Langobardi*, which in its Latinized form seems to have reference to the length of the beard worn by that people. Some authorities derive it from *parta* or *barte*, signifying a battle-axe. Some authorities assert that the Lombard merchants commenced the business of money-dealing, employing bills of exchange as remittances, about the beginning of the thirteenth century; and that such a practice was also known in the south of France about the same period. Other authorities give these benches the name of *cambii*, informing us that they were placed before the church doors for the purpose of exchanging the money of foreigners. These money-changers were called Lombards, or Cahoursini, the latter from a celebrated money-changer who flourished in the south of France. They spread themselves far and wide,

finding their trade very profitable, and soon became established in every country. The tendency to impose upon people caused them to be placed under the supervision and control of the magistrates, who obliged the bankers to deposit a certain sum as a guarantee for their good faith. Besides other countries, these Jews found their way to England, and carried on their trade in the city of London; the street which they selected for their operations having borne the name of Lombard Street ever since, where some of the principal banks in London still carry on their business. These Lombard merchants were believed in England to have been natives of one of the four republics of Genoa, Lucca, Florence, or Venice,* and were supposed to have been sent to England by Pope Gregory IX to provide such convents and other societies with money as were unable to pay the 'tenths,' which were rigorously enforced that year, 13 Henry III, 1229. The Lombard Jews were notorious for their usurious transactions, and they carried them to such an extent that they were expelled from the country in the reign of Queen Elizabeth.

When these Jews failed in Lombardy, their benches were broken by the populace. The stigma *bancorotto* henceforth adhered to them, and from that term is derived our word *bankrupt*.

We find that 'argentaria' was the ancient Latin name for a bank or money-changer's shop, and that the banker or money-changer was called 'argentarius.' As these Lombard Jews came into such disrepute for their usurious dealings, they subsequently changed their name for 'cambiator' or 'cambitor,' meaning an exchanger. We learn that Philip the Fair formed these money-dealers into a corporation, and security was demanded by James II of Arragon, previous to their commencing business, according to the statutes of Marseilles. Persons about to travel, instead of encumbering themselves with coin, applied to a cambitor and received in exchange for their specie a bill of exchange drawn upon another cambitor, as near as possible to the place where they were going. These letters were

* Anderson, 'On Commerce.'

called *literæ cambitoriæ*. Some have recorded that these bills were drawn payable to a certain person; others assert that they were payable to bearer, and circulated from one to the other like our bank-notes.

About the middle of the twelfth century it became evident, as the advantage of coined money was gradually acknowledged, that there must be some controlling power, some corporation which would undertake to keep the coins that were to bear the royal stamp up to a certain standard of value; as, independently of the 'sweating'*—which invention we may place to the credit of the ingenuity of the Lombard merchants—all coins will, by wear or abrasion, become thinner, and consequently less valuable; and it is of the last importance, not only for the credit of a country, but for the easier regulation of commercial transactions, that the metallic currency be kept as nearly as possible up to the legal standard. Much unnecessary trouble and annoyance has been caused formerly by negligence in this respect. England has, at more than one period of her history, suffered the most humiliating degradation by the neglect, not only to keep her coinage up to the standard, but by failing to insure the employment of persons to superintend the operations of the mint, whose integrity could not be purchased by the State. Large sums were obtained for royal purposes in the reign of Henry VIII by falsifying the silver standard; and it fell to the lot of a woman, in the person of Queen Elizabeth, together with her advisers, to stamp the debased coins with their real value. These practices, however, we shall have occasion to investigate further, in a subsequent chapter.

The gradual merging of the business of a goldsmith into a bank appears to have been the way in which banking, as we now understand the term, was introduced into England; and it was not until long after the establishment of banks in other countries—for State purposes, the regulation of the coinage, &c.—that any large or similar

* A term given to various processes invented by the Jews for obtaining a small quantity of gold from each sovereign, or other gold coin, without the loss being perceptible.

institution was introduced into England. We subjoin a table of the principal banks in the order in which they were established in different parts of the world.

		A.D.
Bank of Venice	established	1171
„ Geneva	„	1345
„ Barcelona	„	1401
„ Genoa	„	1407
„ Amsterdam	„	1607
„ Hamburg	„	1619
„ Rotterdam	„	1635
„ Stockholm	„	1688
„ England	„	1694
„ Scotland	„	1695
„ Copenhagen	„	1736
„ Berlin	„	1765
Caisse d'Escompte, France	„	1776
Bank of Ireland	„	1783
„ St. Petersburg	„	1786
Bank in the East Indies	„	1787
„ North America	„	1791
Bank of France	„	1800

Branch banks were commenced in England in the year 1828.

Between the dates of the establishment of the bank at Rotterdam and that at Stockholm, Mr. Francis Child started a bank on the eastern side of Temple Bar, London. He had for many years previously adopted the armorial bearings of the Lombards, and pursued the respectable vocation of a goldsmith, or what we understand to be a pawnbroker. This business he merged into a banking-house, which is still in existence. The banking firm of Child & Co. still carries on business under the same name; and as a proof of how people will adhere to ancient customs, it is only within the last twenty years that *printed* cheques have been in use in that establishment. The banking-house of Child & Co. was established in 1663, Hoare & Co. about 1675, and Snow & Co. 1680; this last having had thirteen years' experience before the Bank of England was established. The Bank of Scotland was established one year later, and it was not till 1783 that the

Bank of Ireland commenced operations at St. Mary's Abbey, Dublin.

Concerning the invention of Venetian banks, there appear to be several opinions. Some say the first was founded in 1150, others in 1157. There was no doubt a sort of bank established at one or other of these dates for the purpose of assisting in arranging a loan for the Venetians, and that this institution was called the 'Chamber of Loans;' but the Bank of Venice was not founded till 1171.

There can be little doubt that the word 'banking' was a term originally applied to the business of those persons whose chief trade was to lend out their *own* money, and that the back-bone of their establishments did not consist of the money of other people, which was intrusted to them in the form of deposits. In this opinion most writers appear to agree. That such a business would develop itself into what we find in modern institutions is only natural; as simply time would be required to prove that other people's money could be employed by the banker to the advantage of both himself and the depositor.

We learn that money-lending was carried on very extensively after the return from the captivity; that the poor obtained money from the rich by mortgaging their lands, houses, &c. The parable of the talents distinctly indicates that money, as the representative of capital, was not to be allowed to lie idle. We find also that the Athenians, as early as B.C. 146, converted their temples into banks of deposit, from which they were in the habit of lending to the public at interest.

The business of banking at Athens was in full vigour in the time of Demosthenes, and the rate of interest was left absolutely free by Solon. Solon also had the good sense to see the absurdity of imprisonment for debt, and abolished it. The first mention of banking at Rome is in the year B.C. 352, when the Plebeians were in deep distress, and had to borrow money from new creditors to pay off the principal and interest of their old debts, and so got deeper and deeper into debt. Another class of bankers,

who were a permanent institution, were called *mensularii* or *numularii*, who both acted for the State, and also received the deposits of private individuals. They were also authorised by the State to act as exchangers, and give Roman coins for foreign ones at a fixed rate of exchange. Those who were entirely private bankers were called *argentarii*. These private bankers transacted their business very much as many modern ones do; they kept their customers' accounts, and they introduced one of the greatest conveniences in the system of banking, that of making payments by means of cheques, called *attributio* or *prescriptio*. They also made use of promissory notes.

The progress, however, in the science of banking attained to but a feeble growth either among the Greeks or Romans, and it was left to countries whose commercial prosperity has reached that of England more particularly, to push to their present perfection the banking facilities which are now afforded to those engaged in commerce, &c.

The bank next in European importance to the one established by the magistrates at Barcelona in 1401 was the Bank of St. George at Genoa, which, like the Bank of England, came into existence through the necessities of the State—large sums of money having been borrowed from the citizens from time to time, the interest of which was paid out of the revenue. It became at length too extensive an affair to be properly conducted unless under the management of an efficiently organised administration; which having been established, the creditors' claims were consolidated to form a capital, with which the Bank of St. George commenced its career. The Austrians pillaged the Bank of St. George in 1746, from which it never recovered.

The Bank of Amsterdam was established in 1609, adopting the same course as the Venetians—receiving the clipped and worn coins at a value equal to their weight in bullion, with the deduction for management and the expenses of recoinage. This Bank of Amsterdam appears to have set an example worthy of all praise, for it received the coins of *all* nations for the purpose of encouraging the

bullion trade. The bank, by this means, prevented for the time the wear and tear of the coins by keeping them in their vaults, whilst the bank receipts circulated as notes, giving the bank the right to dispose of the bullion if not redeemed after a certain period of time had elapsed.

The citizens of Hamburg established a bank ten years later. It granted loans upon the security of precious stones among other peculiarities, and has even now a reputation attaching to it of adhering to antiquated and cumbrous systems, which one would hardly expect in a city which has reached that high degree of commercial importance which Hamburg may be said justly to have attained.

In reviewing the development of banking institutions, as they were established in different parts of the world, we must of necessity keep before us the commercial standing of the countries in which these banks were created. Those nations which, from their geographical position, are shut out of the principal lines of commercial traffic, will be less likely to advance in that direction in which the facilities of banking are suggested by necessity. The perfection of our present system of banking—which in many respects is yet far from quite perfect—could never have been brought about in the absence of that enormous trade, and the consequent necessity for economy of time and means, which the existing inhabitants of Great Britain have lived to see. It is not our intention to introduce the figures by which England has for so long a period dwarfed the efforts of every other country, in respect of either exports or imports. It is simply our intention to show that banking, as a great part of the machinery by which commercial transactions are conducted, could only have been advanced to its present state of perfection by the strain which has been constantly brought to bear upon old and cumbrous systems, until they have been gradually swept away by the genius and labour of a hardworking, practical, and enlightened people, whose mercantile prosperity has caused them to seek by degrees for improved methods.

One can hardly expect even so deep thinking a philosopher as Lord Bacon to foresee the absolute necessity

which banks would become with the development of commercial necessities, flourishing as he did in the sixteenth century; but judging by the little light which had been thrown upon the subject at that remote period, he seemed to have a faint perception of the part banks were destined to play. He remarks in one of his essays, "Let it be no *bank*, or common stock, but every man be master of his own money. Not that I altogether mislike banks, but they will hardly be brooked."

No definite records having been handed down to us which throw any light upon the question as to whether written documents were used or not, we may presume that the commerce which is said to have flourished in Arabia, Egypt, and among the Phœnicians, in the earliest ages, was but a simple system of barter. Later on, we find that commercial relations existed A.D. 1241, by a confederation of maritime cities over the continent of Europe. The enterprise of the Portuguese and Dutch, added to the discoveries of Columbus, considerably enlarged the sphere of commerce; and this, we are informed, induced England to engage extensively in its pursuit. England's first commercial treaty was entered into with the Flemings, 1 Edw. I, 1272, nearly four centuries before the firm of Messrs. Child & Co. was established as a bank. The second was with Spain and Portugal, 2 Edw. II, 1308. So long a period having elapsed before the great facilities afforded to commerce by banking establishments were suggested to so practical a people as the English, will sufficiently explain the very slow progress made by other nations, which are not celebrated for their practical superiority. The Romans were accustomed to keep banking accounts, and the system of book-keeping by double entry is said to have been taken from them.* We are surprised that neither the Greeks nor the Romans advanced further than they did—especially the latter, who, we are told, were people of decidedly commercial tendencies. To the Romans must be allowed, without doubt, the

* Article Argentarii, Smith's 'Dic. Greek and Roman Antiquities.'

invention of transferring a debt by a written document, without the intervention of coined money.

The innumerable changes which have been introduced into the various systems invented for facilitating commercial transactions, adopted by different nations during their passage through a period of seven centuries of time, demonstrate the enormous difficulties that have to be overcome in bringing into working order improved scientific methods. The eager interest with which the merchants of all commercial cities of the world in these times gather together at fixed days in each week at their Exchange institutions; the enormous amount of wealth which is always floating upon the seas, and being conveyed by the railroads, forming the basis upon which bills of exchange are drawn, to the extent of hundreds of millions sterling,* which are circulated into every corner of the globe, impress all intelligent persons with the intricate nature of commercial affairs, and the importance of well-organized banks.

The first public institution in England partaking at all of the nature of a bank was founded by William I, which he called the Exchequer, from 'scaccum,' a chess-board—a chequered cloth being used with squares upon it resembling those upon a chess-board; so that, when counting the money, the different squares were understood to represent figures corresponding to the amounts placed upon them. With certain modifications, which an existence of 800 years would not fail to produce, it still remains. The Exchequer was originally called 'Scaccarium.' The English and Irish Exchequers were consolidated in 1816.

The various mints which existed prior to the Norman Conquest, and which, in the absence of other places of security, were used as banks of deposit, caused much unnecessary fluctuation in the currency, on account of the removal of these mints from one place to another, accord-

* It is recorded that in the year 1825, so famous for disastrous speculations in bubble companies, 400 millions of pounds sterling were represented by bills of exchange in circulation; such statements, however, are not much to be relied upon.

ing to the caprice of the reigning monarch. Monasteries were considered safe places of deposit, the sacredness of the soil being considered proof against fraud. These mints, with few exceptions, were concentrated by Elizabeth into one, in the Tower of London, which was also used as a depository for cash, in the absence of bankers' strong rooms. This system continued in operation without interruption during the reign of James I; but Charles I laid violent hands on the money, and so destroyed the credit of the Mint in 1640 for ever. The city merchants and traders were compelled after this to seek other places of safety, and ultimately deposited their money with the goldsmiths, who had settled in Lombard Street, and who possessed iron safes for their valuables. This was the origin of banking in England.

Before proceeding to examine the merits of any particular class of banking institutions such as we see in the present day, it will perhaps be in better order to inquire as to the real use of a bank, and what are the advantages such establishments afford to the community generally.

The use of properly organized and well-managed banks, and the important position they have held for so long a period, well justify the remark that 'banking is the handmaid of commerce;' and it is by the introduction of such institutions that the resources of a country are developed and economised by bringing merchants and traders to settle their mutual indebtedness without the intervention of coin.

A bank best serves its own interests, and most rapidly gains a substantial footing with the public, by doing everything—within reasonable bounds—to facilitate commercial operations, and save the time and trouble of those persons who transact their business with it. The use of a bank is principally to take charge of people's money; the first condition being, that the sum deposited for safe custody be returned when agreed upon, and, secondly, without deduction. We may take it for granted that interest was allowed by banks for money deposited with them in comparatively early times, as we find the word 'interest' in an Act of Parliament passed in the 21st James I, 1623, where

OF THE UNIVERSITY OF CALIFORNIA

it was meant to signify a just compensation for money lent. This Act fixed the rate at 8 per cent. per annum. It was lowered by the Commonwealth to 6 per cent. in 1650, and in 1714, 13th Queen Anne, was reduced to 5 per cent. The restraint of a fixed rate, however, was soon found altogether prejudicial to commerce, and the Acts were repealed by 17 & 18 Vict., c. 90, 1854. Aristotle is said to have stated that as money did not produce money, no equitable claim could be made for interest by the lender. We are told Calvin, the great reformer, was among the first to show the absurdity of such notions. Several persons of eminence have advocated the theory of a fixed rate of interest. It is high time, however, that every thinking man discarded such a notion once for all. Every day that sees mankind become more enlightened in the science of political economy, diminishes the number of believers in the possibility of having a fixed price for that particular commodity by which the value in exchange of corn, iron, or coal, is measured.

The use of a bank, then, is not only to take care of people's money, but to give them something for the use of it. It would, no doubt, seem natural when society was not so respectful to the laws of the country, and people were not characterised by such a high degree of honesty and integrity, that capitalists were glad to have their gains safely taken care of by persons who had iron safes and strong rooms built for the express purpose, and perhaps, in some cases, were not unwilling to pay for the secure custody. Neither the Bank of England nor the Bank of France allows interest for deposits.

In the most enlightened seats of commerce money fluctuates in price like any other article that is in general use, that is influenced by the laws of supply and demand, and those who have any of it can obtain a price according to the market rate. Banks are the institutions which buy and sell money, and, like corn, or iron, or coal merchants, know the current rate when you apply to them. If you wish to leave money with them, they give you a higher or lower rate of interest per cent. according to circumstances. As

a rule, more is allowed for long periods of fixed deposit than short. There are, however, many different circumstances which influence the price of money, and there are always agencies at work which tend to raise or lower it. The use of banks is to go hand in hand with commerce. They take the money of those who do not know how to employ it, and lend it to those who do, to the advantage of all three classes, and so what before remained idle is now made profitable. Like a thousand little rivulets which run into one mighty stream, and float the commercial navy of England from London, Liverpool, &c., to the sea and distant climes, the small depositors make one mighty sum, that can be employed in agriculture, railways, and a hundred different enterprises by which all classes are benefited, and the poor man can approach nearer to the privileges enjoyed by the rich. The profession of a banker, then, is to employ the money of other people, to the advantage of those more immediately interested, and for the benefit of the community generally.

The next great function of a bank, after properly utilising the metallic currency of a country, is to provide a cheaper and more agreeable form of currency in the shape of bank notes. The great power for good or for evil which is placed in the hands of banks by allowing them a paper issue, demonstrates the necessity of some impartial supervision, and we naturally look to the State—as the highest in authority, and therefore carrying the greatest weight, both moral and physical—to control the amount of paper currency which may be put in circulation by banks. Mr. Ricardo says, p. 214, "After the establishment of banks, the State has not the sole power of coining or issuing money. The currency may as effectually be increased by paper as by coin; so that if a State were to debase its money and limit its quantity, it could not support its value, because the banks would have an equal power of adding to the whole quantity of circulation." Again, farther on, Mr. Ricardo's opinion of the importance of banks as regards their office as paper-issuers to the public is conveyed in the following paragraph:—"A currency is in its most

perfect state when it consists wholly of paper money, but of paper money of an equal value with the gold which it professes to represent. The use of paper instead of gold substitutes the cheapest in place of the most expensive medium, and enables the country, without loss to any individual, to exchange all the gold which it before used for this purpose for raw materials, utensils, and food, by the use of which both its wealth and its enjoyments are increased." Whether he would still have entertained this extreme opinion after he had seen Germany, the Scandinavian, and other kingdoms substituting the precious metals for paper money, which had long been in use, we will not venture to predict; but it is evident, whether from motives of pride or any other, that paper money for small sums is going out of use in those countries which can afford to put metal in circulation instead. If illicit coining could only be prevented, there is no doubt that the fall in the value of silver would enable that metal to be universally used as token money, not only on account of its being much more convenient than any form of paper, but because it is more pleasant to the eye and the touch, and when spurious is more easily detected by the public. There are many who object to the State having anything to do with controlling the operation of banks or their paper issues; but it must be borne in mind that there is a wide difference between the State being the issuer and the State controlling the issues of others. The State is the highest power that exercises control over public affairs, and is the motive power—so to speak—of the empire, acting in obedience to the people's will. It is, therefore, reasonable to suppose that the Government, who are furnished with every assistance in the shape of legal advice, &c., should be the most competent power to control the operations of those institutions which are intrusted to an unlimited extent by the people.

Mr. M'Culloch, in his 'Commercial Dictionary,' p. 67, in speaking of the "necessity of insuring the conversion of bank-notes into coin," says, "The taking of measures to insure the convertibility of bank-notes into

coin is a matter which cannot be safely left to the discretion or judgment of individuals, but which must be settled by Government. No bank-notes should be permitted to circulate about the equivalency of which to the coins they profess to represent there can be the smallest room for doubt. It is alleged, indeed, that in this, as in most other things, we may safely trust to the prudence and sagacity of those who deal with banks; and that, if left to themselves, the public will very rarely be deceived. But the widest experience shows that but little if any dependence can be placed on this doctrine. The public is very apt to be misled, in the first instance, in giving confidence to or taking the paper of individuals or associations; and though that were not the case, the condition of an individual or company may change, from bad or expensive management, improvident speculation, unavoidable losses, and fifty other things of which the public know nothing, or nothing certain. The fact that any particular banker who issues paper enjoys the public confidence is at best a presumption merely, and no proof that he really deserves it. There have unfortunately been innumerable instances in which it has turned out that bankers who have long been in the highest credit, and whose notes had been unhesitatingly accepted by the public, have been found to be, on the occurrence of anything to excite suspicion, quite unable to meet their engagements." From a report on the 'Extension of the Privilege of the Bank of France,' in 1840, we find the following:—"Le droit d'émettre des billets est très avantageux; mais aussi il est si dangereux que l'État doit ou s'en réserver l'exercice ou le régler de manière à en prévenir les abus." Mr. Ricardo, at p. 408, remarks, "But if the public require protection against the inferior money which might be imposed upon them by an undue mixture of alloy, and which is obtained by means of the Government stamp when metallic money is used, how much more necessary is such protection when paper money forms the whole, or almost the whole, of the circulating medium of the country? Is it not inconsistent that Government

should use its power to protect the community from the loss of one shilling in a guinea, but does not interfere to protect them from the loss of the whole twenty shillings in a one-pound note? In the case of the Bank of England notes, a guarantee is taken by the Government for the notes which the bank issues, and the whole capital of the bank, amounting to more than eleven and a half millions, must be lost before the holders of their notes can be sufferers from any imprudence they may commit," &c. &c. And again, "Though I am by no means disposed to judge uncharitably of those who have occasioned so much ruin and distress to the middle and lower classes of the people, yet it must be allowed by the most indulgent, that the true business of banking must be very much abused before it can be necessary for any bank possessing the most moderate funds, to fail in their engagements; and I believe it will be found, in by far the major part of these failures, that the parties can be charged with offences much more grave than those of mere imprudence and want of caution." M. J. B. Say also agrees that the interference of Government is justifiable in two cases—first, to prevent fraud, and secondly, to certify a fact. ('Économie Politique,' Book I, chap. xvii.—See also Sir I. B. Byles on the 'Law of Bills of Exchange,' &c., Preface, p. xi.)

The ruin and disaster that can be brought about by an absence of proper control over banks of issue—whether exercised by the State or a distinct corporation—is proved by the crash which took place among the American banks in 1857, when *all* the banks in the Union stopped payment, from the Gulf of Mexico to the frontiers of Canada. The kind of security which was demanded of the American issuing banks may be judged of from the following extract from a letter of the sub-secretary of the treasury of the United States, dated November 27, 1854, which we quote from Mr. M'Culloch's 'Commercial Dictionary:'—"The policy of many of the State governments has of late years consisted in encouraging the issue of small notes, by sanctioning the establishment of what are popularly called

'free banks,' with deposits of stocks and mortgages for the 'ultimate' security of their issues. This 'ultimate' security is, it may be admitted, better than no security at all. The mischief is, that it *is least available when most wanted.* The very causes which prevent the banks from redeeming their issues promptly cause a fall in the value of the stocks and mortgages, on 'the ultimate security' of which their notes have been issued. The 'ultimate security' may avail something to the broker who buys them at a discount, and can hold them for months or years; but the labouring man who has notes of these 'State security banks' in his possession finds, when they stop payment, that the 'ultimate security' for their redemption does not prevent his losing 25 cents, 50 cents, or even 75 cents in the dollar. In a circulating medium we want something more than 'ultimate security'—we want also 'immediate' security; we want security that is good to-day and will be good to-morrow and the next day, and for ever after. This security is found in gold and silver, and in these only." If, therefore, banks of issue generally are to be compelled to keep a stock of the precious metals as security against the paper money they issue, there *must* be a controlling power of the very highest order that will keep a constant check upon all banks, and guarantee the community against any loss from the confidence they may place in such institutions.

Good banks add to the wealth of society. A first-class merchant, instead of lending money, gives his name upon paper, which circulates as so much more capital until it is retired. The advantages to be gained by such a process led to the formation of banks of issue, who coined—so to speak—their own credit. The wealth which such banks have amassed is quite inconsiderable as compared with the benefit which has been derived by the community generally, by the addition of so much more capital with which various enterprises have been carried out. The issue of bank-notes forms an entirely distinct increase of capital, beyond that which is furnished by the paper money which is termed bills of exchange and promissory notes; and there is a

wide difference between the two classes of paper. The bank-note is circulated entirely upon the faith of the issuing bank, without redress should the bank fail. If it could be proved that a note had been received from A, and that the bank had stopped payment before the recipient B had time to present it, using ordinary diligence, B could legally recover from A; but we believe, in practice, such has seldom succeeded. The bill of exchange is almost always drawn payable at some distant period, and each person handing a bill of exchange to another has to endorse it, thereby making himself responsible for the amount, unless his indorsement be "without recourse." Some pass them on immediately; others retain them for the sake of the interest that accrues upon them. On the other hand, the note possesses the advantage of commanding cash at a moment's notice. The bill, if of first class, may also do the same, with deduction of interest; but there is no certainty. Payment by a bill of exchange does not extinguish a debt in the same way that payment by a bank-note does; until the bill has arrived at maturity, and has been duly honoured, all parties to it are liable. Banks being the great depositories for cash, are naturally always in possession of large numbers of bills of exchange; but it does not follow that when they discount these bills—if they be asked to do so—that they pay, in cash. English bankers, *as a rule*, only discount for people who keep their current accounts with them; and in this manner credit is still further coined. The amount of the discounted bills, minus the interest, is placed to the customer's credit, who draws a cheque for it; this cheque is sometimes negotiated and returns to the banker who discounted the bills, never having been converted into cash at all. Very many banks have branches in various parts of the country and abroad, and all banks have agencies at most cities of importance. By this means payments may be made simply by the agency of paper all over the world. A payment of any reasonable sum may now be made to a bank in London, with orders to hand it over to a certain firm in India or China, and the whole transaction be completed in a few

hours. The use of an English bank, besides affording the before-mentioned facilities to the public, is to take care of valuable documents, deeds, and such like; to collect the money for all documents a customer may desire to have realised and credited to his account. The public are disposed also to look upon their banker as useful in recommending them good investments. This, however, we are of opinion a banker should not allow himself to go too far in, as he gets no thanks if the investment turn out well, and unpleasantness often arises if the contrary be the case.

The principal sources from which a bank derives its profit, and in return for which it renders important services to the public, are the following: 1. The employment of the capital subscribed by the partners or shareholders, and upon which the establishment is based. 2. The current and fixed deposits. 3. The amount of paper it is able to keep in circulation in the form of notes. 4. The commission derived from accepting against document bills. 5. The moneys collected in payment for drafts and bills sent by other banks or merchants. 6. The small charges made for working drawing accounts upon which the balance kept is not commensurate with the number of checks drawn. All the money which the bank can obtain by these means is employed for discounting loans, the purchase of securities which can be immediately realised in case of urgent pressure for funds, and cash credits, excepting what must be kept in the 'till' for immediate use. The amount required for such purpose can only be judged of from hour to hour, as the bank works; and this is one of the most important features in management, requiring much experience, depending upon the nature of the business, and many peculiarities which must be dealt with by the manager himself.

The real usefulness of a bank has been carried farther in Scotland than in any other country, so much encouragement having been given to the poorer classes to place their small earnings upon deposit; sums as small as ten pounds having been for many years received by Scotch

banks—a system which competition at last introduced into England. The Scotch bankers have from the beginning been able to afford greater facilities to the lower classes than the English bankers, as they have derived so much profit from the issue of their notes, whereas the London bankers do not enjoy this privilege.

The use of a bank consists in its keeping money constantly moving, driving it into every possible channel where it is required, and by this means stimulating production.

There can be no better instances than those of banks which have been established in parts of the country where industry was at a complete standstill for want of money, and which have been worked for some time at a dead loss, until the stimulus was given time to work its effect, when the return gradually came, and the bank received back its own with interest, and subsequently became a flourishing concern. This has taken place in Scotland, and has been cited in support of an argument in favour of the issue of small notes, before a committee of the House of Commons.

The use of a bank is made particularly apparent to persons travelling. Almost any bank will change the circular notes of another well-known and respectable bank —without any advice—provided all appears in order. Large mercantile houses have, up to the present time, carried on a system of letters of credit to other merchants in all parts of the world; but it is evident that such business will be better attended to by an institution organised for that purpose, among others; and it is quite evident that all such business is by degrees being absorbed by the banks. Merchants are not in the habit of placing a semi-annual or even annual statement of their position before the public. Joint-stock banks, for their own sakes, are obliged to do this; and, although much *may* be concealed that would injure them, if brought to light, they can seldom if ever *fail* with such disastrous effect as a merchant. The facilities afforded to travellers in the present day by the complete network of banks over almost the whole world, signally illustrates not only the necessity of advancing banking

as a science, but the importance of its universal extension as an essential wheel in the machinery by which the entire commercial system is kept moving.

The use of a bank has been increased beyond measure by the aid of the telegraph. Bills unprovided for—through the failure of one or other who should have made provision—may be retired in distant parts of the earth in a few hours, although on the verge of casting a cloud over the maker's credit. Banks in London, with their foreign branches, under a system of telegraphic signals, may be the means of staying a crisis; for many of these popular panics might have been avoided had the foolish terror of people not been aroused by rumours of expected failure, which in many cases have been brought about by the thoughtless rapidity with which people have demanded the return of money lent.

The use of a banker to his client is, that he will always willingly act as a referee as regards means and respectability should it be necessary.

Your banker will collect the money for any and all documents that may come into your hands, and place the proceeds to your account. You draw cheques upon him for any bills you wish to settle, and so he saves you the trouble of counting your money. He pays your subscription to your club, and the premiums for your life and fire policies, and undertakes the investment of your surplus funds. If a person wishes to obtain information of another person who keeps a banking account, he finds immediately that such is impossible from the banker, unless he keeps an account himself, which enables him to get the information through his *own* banker. It is a custom among London bankers, and no doubt will become universal in course of time, to give each other such information immediately, a system which is exceedingly useful, and has conferred inestimable benefits on the public.

A banker's pass-book affords a complete history of the expenditure for the year; and those who have not business habits will find this a great assistance in controlling their expenditure, at all events in the aggregate.

By keeping a banker one has a right to ask of him or his subordinates a variety of questions with regard to the best means of remitting money to distant places, and other matters, which could not otherwise be obtained without much trouble.

A bank is one of the great motive powers which stimulates production by assisting in circulating the accepted representative of wealth, money. The gold while it lies still in the bank is of no more use than the ore from which it is coined; it only becomes useful when it is circulated, and by such circulation assists production. Much gold lies *always* still in the vaults of the Bank of England. It may be thought that this fact upsets our argument; but if a certain amount of specie forms the pivot around which twice as much in paper circulates, it is more productive by the proportion than if it were in active circulation itself—leaving out of the calculation the loss caused by using so costly a material. Gold is the chosen representative of wealth; that commodity by which the value in exchange of everything else is measured, by reason of its being more suitable than any other substance, for more reasons than because it varies so little in cost of production, and, consequently, in value in exchange, and also presents the greatest worth in a more convenient form than any other product of the earth. This representative of wealth it is the object of banks to keep constantly moving, which is more and more productive just in proportion as it is kept in circulation without ceasing. As the axiom among shopkeepers is, small profits and quick returns, so for a bank to combine profit with safety it should keep whatever funds it may have for employment always on the move; never out beyond reach for too long periods at a time.

Doctor Adam Smith says that the advantages to be derived from the establishment of banks may be compared to the profit which would be obtained from converting our highways into corn fields, and procuring a road through the air.

The most important addition to the facilities which

banking institutions have invented for themselves, to enable them to adjust their mutual indebtedness without the trouble of presenting separately for payment the cheques or bills which one bank may hold payable at another bank, was the Clearing-house, which was established by the principal bankers in London in the year 1775. The system pursued is so simple that, suffice it to say when the clerks of two different banks wish to exchange the cheques one may have upon the other, the balance—in whosesoever favour it may be—is paid by a cheque on the Bank of England, where all the leading London banks keep an account. In the beginning the banks with the aid of the Clearing-house were enabled to adjust several millions sterling of mutual indebtedness, employing only a few hundred thousand pounds; the mode of settlement, however, has now become so simplified that neither paper-money nor coin is required at all.

CHAPTER II.

PRIVATE BANKS AND JOINT-STOCK BANKS.

PRIVATE BANKS conduct a large part of the banking business of the country, as may be seen by reference to the Banker's almanac, the most complete work of reference on the subject, as might be expected under the able editorship of Mr. Inglis Palgrave. It is indisputable, however, that, although private banks still play a prominent part in assisting in the distribution of floating capital, their day is gone by. In this as in other cases where new machinery has to be set up, it is of the more approved type. In other words, private banks are an anachronism. Many of the larger private banks, if not in name, are in character more joint-stock than private.

Formerly private banks could not have more than six partners. By the Act of Parliament 39 & 40 Geo. III, c. 28, section 15, no bank was allowed to be established whose partners should exceed six in number, "to borrow, owe, or take up any sum or sums of money, on their bills or notes, payable on demand, or at any less time than six months from the borrowing thereof." Later on, in the year 1826, an Act of Parliament, of 7 Geo. IV, c. 46, was passed, which allowed banking corporations to be established consisting of more than six persons; but they were not allowed to transact their business within sixty-five miles of London, and were prohibited from having any branch establishment in the city of London. Every member of a banking corporation established under this Act was responsible for every and all its acts and deeds.

There are many provisions still unrepealed which affect banking corporations which have not been registered under

the Joint-Stock Companies Acts of 1857 or 1862, or have not been incorporated by letters patent under the 7 & 8 Vict., c. 113. This last Act was passed in the year 1844, and gave permission to banks whose corporations consisted of more than six persons, and which had been established before May 6, to apply for letters patent, by which they could be incorporated under this Act. The 7 & 8 Vict., c. 113, gave to banking companies established within sixty-five miles of London, and incorporated on and after May 6, 1844, the great privilege of sueing and being sued in the names of their public officers, provided they complied with the Act in other respects, by making the returns required. In 1857, however, the Act was repealed, and not till 1862 were the provisions for the banks sueing and being sued in the names of their public officers re-enacted.

The latest Act of Parliament, that of 1862, affecting the establishment of banks, makes the following prohibitions in section 4:

1. No partnership of more than ten persons is to be formed for banking purposes, unless it is registered under the Act, or is formed under some other Act of Parliament or letters patent; and,

2. No partnership of more than twenty persons is to be formed for the acquisition of gain, unless it is registered under the Act, or is formed under an Act of Parliament or letters patent, or unless it is formed for working mines within the jurisdiction of the stannaries; in fact, a cost-book mining company.

Banking corporations established under the 7 & 8 Vict., c. 113, who neglected to register before January 1, 1858, might be sued, but were unable to sue either in equity or at law. Managers and directors were subject to a penalty of 5*l.* for every day that elapsed after the registration should have been made, and the shareholders could receive no dividend. The above omissions, however, did not make the bank illegal.

Banking corporations registered under 20 & 21 Vict., c. 49, were required to register under the Companies Act of 1862, except the liability of their shareholders was limited

by letters patent or Act of Parliament. Not having complied with the demands of the Act 20 & 21 Vict., c. 49, laid them open to the penalties above named also.

In the year 1858 an Act was passed, 21 & 22 Vict., c. 91, which permitted banking corporations to be established with limited liability, under the Joint-Stock Companies Act of 1857. All other banks could make the liability of their shareholders limited, excepting in regard to their issue of notes; and for this they must remain unlimited, by registering under the Act. It was necessary, however, to make due publication of the fact, that all who kept accounts or had other business with the bank might be made acquainted with the change, and withdraw if they chose. The bank was also obliged to publish periodically a statement of its assets and liabilities.

Many banking companies, consisting of seven members or more, as is well known, have singly and with others become limited companies under the above Act. They are compelled, however, before registration, to obtain the consent of the majority of their members at a general meeting—the only alteration required in the name of a company registering under the Limited Liability Act being the addition of the word 'limited.'

Private banks, of six or ten members, may still carry on their business without being required to register themselves as banking companies; but, without registration, the liability of the members cannot be 'limited.'

On its being proposed to start a banking company on the 'limited liability' principle, it is required that at least seven persons must sign a deed of association, having the following particulars contained therein: 1. The objects of the company; 2. The company's name, attaching the word 'limited' at the end; 3. A statement that the members' liability is limited; 4. Naming the place where the office of the company is to be situated; 5. The amount of each share, and total amount of the capital, with other particulars specified in the Act in detail.

A manager or director, who endorses or accepts a bill for a bank registered under the Limited Liability Act,

without including the word 'limited,' becomes personally liable thereon.

In 1708 the Bank of England besides its other privileges obtained an Act granting to them and their successors the privilege of banking to the exclusion of all co-partnership of more than six persons. Several joint-stock banks then in existence were compelled in consequence to wind up their affairs. This prohibition, which lasted until the year 1826, did not extend to Scotland. It could hardly be expected in an enterprising country like England that a monopoly so unjust and impolitic in its nature could be allowed long to exist, and in the latter part of 1825, notwithstanding the strenuous resistance of the Bank authorities, an Act was passed allowing under certain limitations the formation of joint-stock banks in England.

Private banks have formerly been worked with capital subscribed by not more than six persons, which, in case of death, has undergone a proportionate diminution unless some other person should purchase the lapsed interest in the concern. As a rule, all the partners in a private bank assist in its administration; and it has long been a matter of dispute as to whether private banks under this system have not been more successful in proportion to their means than a joint-stock bank under the administration of salaried servants. It is only reasonable to assume that auy business will be more lucrative when those who are directly interested in the profits take the leading part in the management. Mr. J. Stuart Mill, in his 'Principles of Political Economy,' bk. ii, p. 486, says: 'Management, however, by hired servants, who have no interest in the result but that of preserving their salaries, is proverbially inefficient, unless they act under the inspecting eye, if not the controlling hand, of the person chiefly interested; and prudence almost always recommends giving to a manager not thus controlled a remuneration partly dependent on the profits, which virtually reduces the case to that of a sleeping partner.' On the other hand, however, it is clear, and the experience of late years has furnished ample proofs of the soundness of the doctrine, that a manager whose

remuneration depends upon the profits earned will be very likely to engage in transactions of a less secure nature than would probably be entertained by the partner of a private bank, whose fortune is at stake. A manager's income is his interest in the concern, and should be understood to be as much at stake as the partner's private fortune, and so no doubt in a sense it is; but a limited interest seldom secures more than a limited amount of vigilance in any calling where strong enthusiasm in the work itself does not supply the place of that naturally nourished by a leading interest in the pecuniary results.

Private banks may be looked upon now as institutions of the past. Many of the best of them before and about the time of the panic of 1866 were swallowed up by the joint-stock system, and from year to year they are gradually eliminated by the same process.

A joint-stock bank differs from a private bank—First, by its capital being permanent; secondly, its number of partners unlimited; and thirdly, in the form of its government. If a partner—or, as he is generally termed, a shareholder—die, his shares are simply transferred, and the capital remains the same. A joint-stock bank is directed by a board of gentlemen drawn from various classes of society, under whom is a manager, who acts as their representative, and who, to a certain extent under their control, administers the whole of the affairs of the bank, assisted by a sub-manager, secretary, and subordinates, as the nature of the business may require.

Up to the year 1855* shareholders in joint-stock banks were unlimited in their liability, by which system it will be seen that many rich men would be liable for their entire fortunes by becoming shareholders; and thus, banks of unlimited liability, on coming into positions of difficulty, would be likely to lose their best shareholders, as was often the case at the outset, when masters transferred their shares into the names of their servants. This, however, was put an end to by a special clause, which all

* Limited Liability Act, 20 & 21 Vict. c. 49.

banking copartnerships take care to include in their regulations, and which empowers the directors of a bank to refuse a transfer should they not approve of the transferee.

The Act of Parliament passed in 1855, limiting the liability of shareholders to the amount of their shares, is looked upon by some persons as in principle vicious. There can be no doubt that a great number of banks, established with limited liability, have failed most disastrously both in England and the United States. The stoppage of banks in the latter country, where nearly, if not all, are on the limited liability system, has been especially disastrous. Some authorities assert, not without some show of reason, that limiting the shareholders' liability takes off much of the pressure which should be constantly kept upon those whose duty it is to exercise caution and prudence in employing the bank's funds. The argument that shareholders whose all is at stake will be more likely to see that prudent and experienced directors form the board, and that the strictest possible supervision is exercised, is sound enough in the abstract; but abstract principles cannot be applied to the working of banks. In practice they break down, of which in this particular case there is ample proof. Shareholders will not be bothered with supervising the prudence and the caution which the managers are expected to apply in the exercise of their duty, and there is consequently no alternative if they are to avoid the risk of being ruined but to limit their liability.

Mr. James Wilson made the following remarks in the year 1845 with reference to the conditions upon which success in banking depends.

"The two great essential and fundamental principles, therefore, on which the success of banking depends, and to which hitherto very little attention has been paid in all the discussions which have taken place on the subject, are:

"1st. By what means can a bank attract the largest amount of deposits?

"2nd. In what way can a bank employ those deposits

to the greatest advantage, consistently with the conditions on which they are made; that is, repayment on demand?

"These two propositions really do involve the whole art of banking, whether viewed as a source of profit to bankers, or as a source of economy, safety, and convenience to the public. We will consider them separately.

"First. By what means can a bank attract the largest amount of deposits?

"The first essential property which a bank must possess is a perfect confidence on the part of the public. The small amount of benefit which a banker can afford to give his customer for placing his money in his hands can never be sufficient to induce any man to run a hazard; and, more particularly, the mere difference of terms which one banker can afford compared with another cannot be sufficient to induce any man to give preference to more tempting terms, when weighed against a greater security and confidence.

"The want of this confidence, to a sufficient extent, and for a sufficiently long and uninterrupted period, has done more to injure the business of banking in England than any other circumstance. In this respect, and in the effect which the absence of confidence has exerted over the amount and character of the deposits of English banks, we discover a striking contrast between them and the banks of Scotland. Much of this fundamental defect in the character of English banks, if not all, we believe can be traced to the effects of legislation. Since the Bank of England was erected into a corporation, the restrictions which the Government has from time to time imposed on the exercise of capital and the independent efforts of individuals, whether singly or in a combined form, in order to preserve the privileges of that establishment, we believe to have been the root of much if not all of the mischief and discredit which has attached to the banking practice of England. But for the peculiar privileges granted to the Bank from time to time, but for the restrictions thus placed on private enterprise, and the constant interference

of the Government to tinker and patch up evils to which their own previous acts had led, there can be no doubt whatever that many years ago we should have had our banking establishments placed on the highest, safest, and most beneficial principles which free competition, intellect, and energy could suggest and carry into practice. Banking, above all other professions, is that which under entire freedom and non-interference would soonest be placed in the most perfect position. The public will not employ an unsafe bank while they have those of perfect safety with which they can deal, and who are ready to afford them all the facilities which banks can do. It may be said that some men, who are chiefly borrowers, have no choice with which bank they can deal. But to suppose that bad banks could be supported by borrowers, with an indifferent credit, is absurd. It is the *lenders* and not the *borrowers*, and least of all the *inferior borrowers*, that constitute the strength and power of banks. We know what has been the result of the restrictions imposed on banking by the law in this country, and we have only to look to Scotland to see what has been the effect of a long career of perfect freedom and competition upon the character and credit of the banking establishments of that country, as well as in affording the greatest convenience and satisfaction to the public."

Lawson in his history of banking remarks, "By the kindness of the gentlemen at present carrying on the business of the bank of Messrs. Strahan, Paul & Co., we have been favoured with the privilege of inspecting the books of so early a date as the year 1672. They show that the nobility of the land were in the habit of frequenting their shop, and borrowing money on the deposit of various gold and silver articles, such as gold and silver tankards, golden thimbles, and other valuables of a very miscellaneous and sometimes comical description."

In Pepys' "Diary" dated 1667 the first "run" on the bankers is referred to in vol. ii, p. 67, as follows: "W. Hewer hath been at the banker's, and hath got £500 out of Backewell's hands of his own money; but they are so

called upon they will be all broke, hundreds coming to them for money. And they answer him, 'It is payable at twenty days; when the days are out we will pay you;' and those that are not so they make tell over their money and make their bags false on purpose to give cause to retail it, and so spend time." This circumstance much impaired their credit, and it was subsequently entirely destroyed by Charles II seizing their money.

Yorkshire and Lancashire were the first counties to take advantage of the legislature having sanctioned the formation of joint-stock banks sixty-five miles from London by the establishment of joint-stock banks at Lancaster and Huddersfield. Other banks upon the same principles were rapidly formed throughout the country. The defective state of the law for the regulation of joint-stock banks soon revealed itself and at last attracted the attention of Parliament. In 1836 a secret committee was appointed to inquire "into the operation of the act and whether it be expedient to make any alteration in it." A circular was issued to all the existing joint-stock banks, and the result was a mass of information giving minute details of the mode of doing business, which formed the basis of a report recommending certain reforms.

At the time the Act of the 7th George IV, cap. 46, was passed and for some time after it was believed that no joint-stock bank could be established in London, or within a radius of sixty-five miles thereof. This opinion was opposed by Mr. Gilbart, who to test the matter set about forming a joint-stock bank; and the London and Westminster Bank, which was the first joint-stock bank formed in London, is the result of the untiring labours he went through before the numerous difficulties between him and the realisation of his project could be overcome. To set at rest the question of the legality of joint-stock banks being established in London the following clause was added to the Act of the 3rd and 4th William IV, cap. 98: "And whereas doubts have arisen as to the construction of the said Acts, and as to the extent of such exclusive privilege, and it is expedient that all such doubts

should be removed; be it therefore declared and enacted, that any body politic or corporate, or society, or company, or partnership, although consisting of more than six persons, may carry on the trade or business of banking in London, or within sixty-five miles thereof, provided that such body politic or corporate, or society, or company, or partnership, do not borrow, owe, or take up in England any sum or sums of money on their bills or notes payable on demand, or at any less time than six months from the borrowing thereof, during the continuance of the privileges granted by this Act to the said governor and co. of the Bank of England." Notwithstanding the refusal to admit the London and Westminster Bank to the Clearing House and to grant it the privilege of having a drawing account with the Bank of England, the bank succeeded beyond all expectation. The early progress of this the first metropolitan joint-stock bank is of more than usual interest, and we subjoin a tabular statement of the results of the working in each year from its foundation in 1833 to the 31st of December, 1849.

Date.	Paid-up capital.	Surplus fund.	Profits of the year.	Dividends.
	£	£ s. d.	£ s. d.	£ s. d.
1834	182,255	1,205 8 5	3,540 6 6	2,334 18 1
1835	267,270	1,907 6 5	11,520 10 0	10,818 12 0
1836	597,255	4,527 0 6	32,483 14 1	29,864 0 0
1837	597,280	7,067 11 2	32,404 10 8	29,864 0 0
1838	597,280	20,839 4 1	43,635 12 11	29,864 0 0
1839	597,280	33,100 10 1	48,098 3 0	35,836 16 0
1840	597,280	46,215 3 11	48,951 8 10	35,836 16 0
1841	786,300	56,007 16 8	51,300 0 9	41,507 8 0
1842	800,000	63,126 10 10	55,118 14 2	48,000 0 0
1843	800,000	66,822 16 5	51,696 5 7	48,000 0 0
1844	800,000	69,904 15 4	51,081 18 11	48,000 0 0
1845	800,000	88,248 16 4	66,344 1 0	48,000 0 0
1846	800,000	98,424 12 1	74,175 15 9	48,000 0 0
„	„	—	Bonus	16,000 0 0
1847	1,000,000	100,647 16 11	58,223 4 10	56,000 0 0
1848	1,000,000	102,723 16 11	62,076 0 0	60,000 0 0
1849	1,000,000	107,844 14 6	65,120 17 7	60,000 0 0

It was discovered that an important omission had been made in equipping the bank for the part it was to play in

the commercial world, and on the 7th of May, 1834, three months after business had been commenced, application was made to Parliament for power to sue and be sued. The Bank of England directors again showed how jealous they were of the new comer, for they petitioned to be heard by counsel—an act on their part no less foolish than it was contemptible. As if there were not room for two joint-stock banks in such a metropolis, for the Bank of England was to all intents and purposes a joint-stock bank. In spite of their opposition, the London and Westminster bank passed their bill through the Commons, but after having been once read in the upper chamber no further trace of it is to be found in the journals. It was hoped they would not be further molested, but the Bank of England awaited their opportunity, and on discovering that the London and Westminster bank had accepted bills of exchange at a shorter date than six months, actions were brought in courts of law and equity by the Bank of England for infringements of its privileges, and the question came before the House of Lords, which resulted in the defendant being defeated and having to pay several thousand pounds of costs. Both as regards sueing and being sued, and accepting bills of exchange, the required power was subsequently granted by Parliament, and these matters were finally set at rest.

CHAPTER III.

BANKER AND CUSTOMER.

1. What a Banker should be.—2. Selection of a Banker.—3. Joint-stock *versus* Private Bankers.—4. Opening Accounts.—5. Accounts with Firms, Executors and Administrators, Trustees, Assignees, Married Women, Husband and Wife.—6. Drafts of an Agent.—7. Deposit Accounts.—8. Drawing or Current Accounts.—9. Cash Credits or Overdrawn Accounts.—10. Bankers' Remuneration.—11. Advances on Bonds, Government Stocks, Railway and other Shares, Dock Warrants and Bills of Lading, Policies of Assurance, Title Deeds.—12. Property deposited for safe custody.—13. Securities deposited against Advances.—14. Judge's Order.—15. Bankers' Books as Evidence.—16. General Hints to Persons having Banking Accounts.—17. Death of a Customer.—18. Bankruptcy of a Customer.—19. Bankruptcy of a Banker.—20. Banker's Pass Book.—21. Disclosing the State of an Account.—22. Confidential Reports between Bankers.

THE relations between a banker and his customer, though perhaps ordinarily not quite so intimate and confidential as those between a solicitor and his client, are, or may be, almost as important. It frequently becomes necessary for a customer to take his banker into the closest confidence, to impart to him the most minute details of his business, and the most exact state of his affairs, for on the fiat of the banker may depend the question of his remaining solvent or being compelled to appeal to the Court of Bankruptcy.

The qualifications requisite to render a man an efficient banker are numerous, and not so readily to be met with as some people are apt to imagine. He should be a man of good intellect, and clear sound judgment; a man of tact and nerve, able to act promptly in an emergency, who can read character, and knows whom to assist to their mutual

advantage, and to whose blandishments to turn a deaf ear. He should be able, if necessary, to write a business biography of any of his customers, for how often does the decision of a question turn upon antecedent circumstances. It was once said of an eminent banker that he was able to scent an accommodation bill.

But banking is frequently taken up by those who may be termed amateurs, in other words by those who having passed the greater portion of their lives in other professions give the remnant of their days to bank management, as though that were the only business requiring neither training nor technical knowledge.

Before coming to a decision as to the commencement of business with any particular bank, a prudent man will naturally be anxious to know something about the establishment to which he is going to commit his interests in this important matter.

In the metropolis banks are numerous and of high standing, but in the provinces the case is different; there except in the larger towns the choice is generally restricted to two or three. In making a selection the relative claims to confidence of the private and joint-stock banks will have to be considered, each having certain advantages over the other.

The accounts published periodically by nearly all the joint-stock banks, showing the state of affairs, give great assistance in making a choice, although in certain instances the figures have been, to say the least, inaccurate. The practice to our knowledge adopted by the Alliance Bank, for instance, of throwing open everything to the auditors, should be universal. Not only is the balance-sheet of this institution vouched for by eminent public accountants, but the securities deposited for safe custody are likewise overhauled. Why all banks do not show their inner pigeonholes to auditors is a question we will not enter upon; we can, however, make a rough guess, and the public will no doubt be able to do the same. Still, as a rule, it may be taken for granted that a balance sheet is a reliable document, a conclusion which is justified on the ground that

any officer of a banking company publishing a false statement of account is by law guilty of a misdemeanor.

On the other hand it is not always generally known who are the members composing a private firm ; true it is that the names are advertised every year for those who choose to look, yet the change of the constitution of a firm may easily escape notice.

Often a private banker is a landed proprietor, and from this a notion of his means may be derived ; sometimes too another business is combined with banking. In either case the question may fairly arise whether the funds of the bank may not be diverted to the improvement of the land, or the carrying on of the business, so as not to be available to meet an emergency.

In case of misfortune the depositor in a joint-stock bank has the unpaid capital to fall back upon, and in many companies it is an article of association that on the loss of a certain proportion of the capital the concern shall be wound up; a private banker usually exhausts his resources, before his doors are finally closed, hence we see that when a joint-stock bank fails its customers generally get their money back eventually, whilst those of a private bank have to be content with a dividend.

The capital of a joint-stock bank cannot except by fraud, be withdrawn, but although a private bank may at some time have been in possession of ample means, by the retirement of partners from the business the firm may be seriously weakened, and it has happened that on the death of a banker having landed property he has bequeathed his interest in the bank to one member of the family, whilst the land (the reserve fund of the bank) has descended to another. These are facts which obviously would not be extensively advertised.

There are, however, certain material considerations that work altogether in favour of the private bank. For instance, a manufacturer requires a large advance, he walks into the private banker's room, lays the business before him and has the matter settled then and there.

But if he kept his account with a joint-stock bank, he

would go to the manager, who would possibly discover that the rules laid down for his guidance prevented his entertaining the proposal without bringing it before "the Board." This entails delay, always an important consideration in business; but this is not all. The affair comes before "the Board," some half dozen or more gentlemen, of whom some may be the applicant's opponents in trade. It may be hoped, but it will hardly be believed, that personal feelings will have no weight; but taking it for granted that they have not, the fact that in one case the matter is arranged secretly, and in the other is made the subject of debate and discussion, will exercise great influence on many people, leading them to decide on banking with a private establishment.

Bankers before opening an account with a stranger, usually require an introduction from some person of standing, who is expected to be able to speak not only on the point of solvency, but of respectability.

Of course the banker's own protection is the first object in taking this precaution, but it also acts as a safeguard against fraud. For this reason, the fact of a man having an account with a banker is to a certain extent accepted as a guarantee, that in the opinion of the banker he is a person worthy of some confidence; such being the case if bankers were to accept indiscriminately, and without enquiry, all accounts offered to them, the public, giving them credit for precautions that were not adopted, would be liable to be taken in by dishonest people.

When a trading Firm has an account with a banker in the name of the Firm there appears to be no doubt that the act of each partner binds the partnership, therefore cheques paid on the signature of one partner, by the style and title of the Firm, are valid payments, and advances made to one partner constitute debts against the Firm.

It seems that a banker may safely honour the cheques of one of several executors or administrators; but trustees must each and all assent to every act dealing with the trust funds; it would, therefore, be highly imprudent to allow a banking account to be operated upon except by the

whole body of trustees, and it would also seem to be safer to adopt the same precaution in dealing with assignees.

To avoid any possibility of being entangled in disputes as to executorships and trusts it is usual when the probate of the will of a customer has been exhibited to a banker, to have the balance standing to the credit of the deceased dealt with in one sum, generally by transferring the amount to a new account opened in the names of the executors, as individuals; in like manner few bankers will allow an acknowledgment of a trust to appear in their books.

It would not be safe to accept the account of a married woman without the consent, in writing, of her husband. It has been held that where money was deposited in the joint names of husband and wife as a special provision for the latter in case of her husband's death, upon his death the money became her absolute property; we believe it has not been judicially decided whether the same rule would hold good in the case of a current account, if no stipulation of the kind were made when it was opened.

A principal would not be liable for the overdraft of an agent, unless the banker had permitted it with his knowledge, or by his authority.

The balances held by bankers may be roughly classed under two heads, viz. Deposits and Drawing accounts. The first named, from which are derived a large per centage of the funds used in business, are sums placed with a banker to be repayable at call, at short notice or at fixed dates according to agreement, for which receipts are given, called deposit receipts. These are not transferable, and must be produced and signed by the depositor before the money or any part thereof can be withdrawn. For many years it has been the custom with the joint-stock banks in London to pay interest on deposits at 1 per cent. below the Bank of England minimum rate of discount for the time being, the notice of withdrawal being seven or fourteen days and in exceptional cases a month. Alterations in the rate allowed are notified by advertisement in the 'Times' and other daily papers; but the scale of

LIBRARY OF THE UNIVERSITY CALIFORNIA.

allowance has undergone some modification latterly in consequence of the greater difference which sometimes exists between the market rate of discount and the Bank rate. The general practice is not to allow more than five per cent. for deposits however much the Bank rate exceeds 6 per cent. An impression prevails that the Bank of England never accepts deposits; this, however, is a mistake. Deposits exceeding the sum of £300 are received by the Bank of England for periods of not less than one month; but no interest is allowed, and this convenience is afforded, as a rule, only to persons resident within the United Kingdom. The London private banks have we believe as a rule only taken them from regular customers. In the country both joint-stock and private banks receive them, as an ordinary part of their business.

Drawing accounts, the correct term for what are in conversation called banking accounts, are one of the most important and profitable parts of a banker's business, and the medium of settlement of the great bulk of monetary engagements of all kinds. The many advantages to be derived from keeping a banking account have now so generally commended themselves to the public, that whereas in past times a banker was considered to be a luxury to which only the wealthy might aspire, he is now looked upon almost as a necessity to the humblest trader.

Drawing accounts, according to the usual practice in London, must always have a balance in favour of the customer. If he requires a loan, the practice with the Bank of England is to place a stated sum to his credit for a specified time, less the interest, and at the expiration of the period it is either renewed or debited to the account; but the balance is always on the same side, in favour of the customer. The case is otherwise with the joint-stock banks, who permit the borrower to repay the loan any time within the period for which it was granted, and only charge interest to the date of such repayment.

In England a large proportion of banking deposits consists of surplus money awaiting permanent investment, and cannot be employed by a banker, except at very short

dates. In Scotland it is more the habit of the people to consider deposits as investments.

The balances of drawing accounts, whether of merchants or gentlemen, will be found to vary but little on an average of years, except as to seasons, and a banker can calculate to a nicety what the variations will be. That being the case he has a much wider range of investments to select from, than with deposits which he may be called upon to repay any day.

Recent events in London have called attention to the fact that the accumulation in the hands of a single bank, of enormous sums payable at call or short notice, and bearing interest, may be a source of risk to the banker, by entailing on him the necessity of finding some employment for money on which otherwise he would be making a dead loss; and while some banks have made changes more favorable to themselves, other institutions have discontinued the practice altogether. The City Bank recently made an announcement to that effect.

Overdrawn accounts, or as they are called in Scotland, "Cash credits" are very common in the North, and not unfrequent in some parts of England. These accounts are worked in the same way as ordinary drawing accounts, but the balance as a rule is in favour of the banker, who takes security of his customer and gives him a "cash credit" for a certain sum, or in other words allows him to overdraw to that extent. It is as Mr. Macleod terms it an "inverse drawing account." This gentleman in his "Theory and Practice of Banking," vol. I, p. 135—137, praises this system of "cash credits" in most extravagant terms. It was as he says invented in Scotland, and to it he considers the "marvellous progress and prosperity of that country is mainly due," having "in the space of 150 years raised it from the lowest state of barbarism up to her present proud position."

Without being able to follow Mr. Macleod so far as this, we may admit that there can be no doubt that the system is eminently suitable to a country like Scotland, and that the results have been very satisfactory.

The advantages to the customer who has but a small capital are obvious. If he is able to find two friends who are willing to be his securities, with their aid he obtains a "cash credit." He is thus enabled to invest the whole of his capital in his business, being relieved of the necessity of keeping a considerable portion unemployed in readiness for daily expences. He has this too in his favour, that whereas if he discounted a bill, interest on the whole sum must be paid, although a part only might be required; with a "cash credit" interest is charged only on the actual amount drawn.

The banks of Edinburgh, we believe, originated the system of "Bank credits" or cash credits as they are now more generally termed. On this plan a merchant may be said to coin his houses, his household furniture, the goods in his warehouse, the foreign debts due to him, and his ships on the ocean. He can, in fact, by anticipating as it were their realisation employ these various kinds of property in all payments as if they were the current money of the country. What, perhaps, is of more importance than all to the merchants as arising from this invention, is the facility acquired in supporting each other's credit, which is a great security against bankruptcies. When the Bank-credit of one merchant is exhausted he applies to a neighbour who is not in the same condition, and makes use of his Bank-credit, replacing the money at his convenience. This practice having prevailed for some years at Edinburgh, it was further developed by several companies of merchants at Glasgow. An association of different banks was formed which issued notes as low as ten shillings, which were used in all payments for goods, manufactures, and labour of all kinds. These notes from the established credit of the companies passed current as money throughout the country. By this means the sum of five thousand pounds was able to perform the functions of ten, trade was stimulated, and traders were satisfied with less profit. In imitation of these banks established at Glasgow others were instituted at Newcastle and Bristol. Such a system, as it was developed, tended

as a matter of course to drive out of the country the precious metals. Upon the recoinage after the Union it was found that there was nearly a million of specie in that country. Notwithstanding the increase of riches, however, through the growth of commerce and manufactures, it was estimated some forty years later that the specie current did not amount to one fifth of that sum.

It is, however, only a banker whose position is very strong who could safely carry on this class of business to any great extent, as he would, in case of a run have nothing that could be realised at once. The monopoly of note issues of small denominations, which the Scotch banks have so long enjoyed, gives them an entirely unique position, without which it is tolerably evident Scotland could never have developed the credit system to the extent which has been witnessed, and which has been the means of gaining for Scotchmen so high a reputation as bankers.

A banker's calculations as to the remuneration on deposits are simple. The clerical labour on this department is not large, he has only to consider what margin between the interest he allows and that at which he lends will remunerate him for his risk. "Cash credit" accounts are paid for by the interest on the debit balance from day to day, added to a commission, usually a per centage on the sums drawn.

In the case of ordinary drawing accounts, the circumstances and incidents of each customer's business vary more or less, and entail different calculations.

Before opening an account an intending customer usually asks the banker, What balance must I keep as a minimum? and to this very natural and proper enquiry the banker can only reply by putting a series of questions such as, What will be the extent of your transactions? How many cheques are you likely to draw? Shall you require discount accommodation or advances, and to what amount? Until these questions are answered it is not possible to give an estimate of the minimum balance required to make an account remunerative.

It must be remembered that a banker cannot make use

of the whole of his customers' balances. A proportion must be retained to meet current daily demands. What that proportion should be will vary according to the locality, the season, and other circumstances which can only be accurately judged of by experienced persons.

It has been laid down that the working expenses of banking amount to 2 per cent. on the balances. This seems to us to be very fallacious, as it must be obvious that a banker who has two millions of deposits will be able to work at a smaller per centage than his neighbour who has only half the sum.

The results shown by the joint-stock banks prove indeed the working to be less expensive than this estimate. It is also generally found that as the current value of money increases bankers' balances decrease, and *vice versâ;* so that a low rate of interest is compensated or corrected by the additional amount deposited. It must also be noted that with a high rate of discount ruling there is a tendency towards an increase in bad debts.

A writer on banking who from his position can speak with considerable authority puts forth a theory that an account will be remunerative to the banker if the average balance be sufficient to show a profit of sixpence on each cheque drawn.

Adopting this view for the moment we will suppose a customer with an average balance of £500, and money at 3 per cent. If we deduct £100 to be retained to meet daily drafts, leaving £400 available for investment, there would be realised a gross profit of £12, so that the customer would be entitled to draw 480 cheques per annum, besides the working of the other side of the account, without any charge being made. Bankers no doubt congratulate themselves that the public are not so exacting in the matter of facilities, otherwise the shrinking of profits would soon be such as to cause a panic in Lombard Street of an entirely different sort to those usually felt in that locality.

The changes in the Bank rate used formerly to exercise little effect on the country banks, so far as their local

business was concerned, as they rarely lent under any circumstances at less than 5 per cent., nor did the rate allowed often fall below 2½ per cent. In the employment of their reserves they would, however, naturally feel the ruling influence of the London market. But now owing to a variety of circumstances provincial borrowers are able to obtain money as a rule very nearly as cheaply as they could in London.

Soon after the establishment of joint-stock banks it was seen by their managers that a large class of possibly profitable customers had been wholly ignored by the private banks. We allude to persons, both in and out of trade, to whom a banking account would have been an immense advantage, but who could not afford to keep idle the sums then considered necessary to entitle them to notice. The opening of small accounts was henceforth encouraged by the substitution of an annual charge as commission in lieu of a remunerative balance, and a further step was taken by the allowance of interest on current accounts carrying a minimum balance of £200. These two measures, the second of which, as we have already noticed, is being abandoned by some banks, have rendered it possible for any respectable person to have a banking account.

Besides bills of exchange, of which full mention will be made in a succeeding chapter, there are various securities on which bankers will readily make temporary advances. Securities payable to bearer, and transferable by delivery, such as the bonds of colonial and foreign governments, are the most convenient for this purpose. All that is necessary is for the customer, after having arranged the loan and rate of interest, and requested the banker in writing to grant it for a specific time, to assign the bonds as security for the repayment, with power to sell in case of default. The borrower has likewise to engage to keep the value intact, which generally involves a margin above the market price of 10 per cent. to 20 per cent., according to the nature of the security.

British Government stocks are considered the best possible security for loans. If registered, bankers require

the transfer to a partner or officer of the bank. If held in the form of stock certificates to bearer they change ownership by delivery.

Railway or other stocks and shares when fully paid up are frequently taken as security for loans. Strictly speaking a regular transfer should be executed, but generally bankers are satisfied with the deposit of the certificates if accompanied by blank transfers to be used in case of need; if, however, the borrower should become bankrupt before the registration of the transfers, the lien would be void, as the stock or shares would be within the order and disposition of the bankrupt, and therefore of his assignees. This risk can be obviated by giving notice to the company of the deposit, which if received would be sufficient, but many companies refuse to recognise anything short of a transfer. Acknowledgments are seldom given, nor necessary, if it can be proved a written notice was delivered. There are cases in which companies prepare their own transfers, when the transfer must be absolute.

Where advances have been granted on shares not fully paid up, the banker, if a transfer has been executed, becomes liable for unpaid calls, which, however, he has the right to charge to his customer. Should the shares not have been transferred he has still the right to protect himself by meeting calls, adding sums so paid to the debt. Dock warrants and complete sets of bills of lading properly indorsed, and accompanied by the policy of insurance duly assigned, are good securities, though some bankers object to make loans upon them.

Life assurance policies are frequently held by bankers as security, but usually as collateral or subsidiary to something more eligible. The principal objections to be urged against them are that as the validity of the security depends upon the punctual payment of the premiums, should the owner be unable to keep them up the banker must do so in self-defence. As in the case of calls upon shares he has the right to charge his customer, but if the latter become bankrupt it may so happen that the payments may eat up the amount assured.

The assignment of policies of life assurance is so important where the question of an advance against this kind of security is under the consideration of the banker that we print below the Act of 1867, 30 & 31 Vict., cap. 144, on the subject.

Cap. CXLIV.

An Act to enable Assignees of Policies of Life Assurance to sue thereon in their own Names. [20*th August*, 1867.]

Whereas it is expedient to enable Assignees of Policies of Life Assurance to sue thereon in their own Names:

Be it enacted by the Queen's most Excellent Majesty, by and with the Advice and Consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the Authority of the same, as follows:

1. Any Person or Corporation now being or hereafter becoming entitled, by Assignment or other derivative Title, to a Policy of Life Assurance, and possessing at the Time of Action brought the Right in Equity to receive and the Right to give an effectual Discharge to the Assurance Company liable under such Policy for Monies thereby assured or secured, shall be at liberty to sue at Law in the Name of such Person or Corporation to recover such Monies.

2. In any Action on a Policy of Life Assurance, a Defence on equitable Grounds, or a Reply to such Defence on similar Grounds, may be respectively pleaded and relied upon in the same Manner and to the same Extent as in any other personal Action.

3. No Assignment made after the passing of this Act of a Policy of Life Assurance shall confer on the Assignee therein named, his Executors, Administrators, or Assigns, any Right to sue for the Amount of such Policy, or the Monies assured or secured thereby, until a written Notice of the *Date and Purport of such Assignment shall have been given to* the Assurance Company liable under such Policy at their principal Place of Business for the Time being, or in

case they have Two or more principal Places of Business, then at some One of such principal Places of Business, either in *England* or *Scotland* or *Ireland, and the Date on which such Notice shall be received shall regulate the Priority of all Claims under any Assignment;* and a Payment *bonâ fide* made in respect of any Policy by any Assurance Company before the Date on which such Notice shall have been received shall be as valid against the Assignee giving such Notice as if this Act had not been passed.

4. Every Assurance Company shall, on every Policy issued by them after the Thirtieth Day of *September* One thousand eight hundred and sixty-seven, specify their principal Place or principal Places of Business at which Notices of Assignment may be given in pursuance of this Act.

5. Any such Assignment may be made either by Endorsement on the Policy or by a separate Instrument in the Words or to the Effect set forth in the Schedule hereto, such Endorsement or separate Instrument being duly stamped.

6. Every Assurance Company to whom Notice shall have been duly given of the Assignment of any Policy under which they are liable shall, upon the Request in Writing of any Person by whom any such Notice was given or signed, or of his Executors or Administrators, and upon Payment in each Case of a Fee not exceeding Five Shillings, deliver an Acknowledgment in Writing under the Hand of the Manager, Secretary, Treasurer, or other principal Officer of the Assurance Company of their Receipt of such Notice; and every such written Acknowledgment, if signed by a Person being *de jure* or *de facto* the Manager, Secretary, Treasurer, or other Principal Officer of the Assurance Company whose Acknowledgment the same purports to be, shall be conclusive Evidence as against such Assurance Company of their having duly received the Notice to which such Acknowledgment relates.

7. In the Construction and for the Purposes of this Act the Expression "Policy of Life Assurance," or

"Policy," shall mean any Instrument by which the Payment of monies, by or out of the Funds of an Assurance Company, on the happening of any Contingency depending on the Duration of Human Life, is assured or secured; and the Expression "Assurance Company" shall mean and include every Corporation, Association, Society, or Company now or hereafter carrying on the Business of assuring Lives or Survivorships, either alone or in conjunction with any other Object or Objects.

8. Provided always, That this Act shall not apply to any Policy of Assurance granted or to be granted or to any Contract for a Payment on Death entered into or to be entered into in pursuance of the Provisions of the Acts Sixteenth and Seventeenth *Victoria*, Chapter Forty-five, and Twenty-seventh and Twenty-eighth *Victoria*, Chapter Forty-three, or either of those Acts, or to any Engagement for Payment on Death by any Friendly Society.

9. For all Purposes this Act may be cited as "The Policies of Assurance Act, 1867."

It is absolutely necessary where bankruptcy intervenes that a life office should have notice of the assignment of any policies to third parties, but this is not sufficient unless the policies be actually in the possession of the persons to whom assigned; but where no bankruptcy has occurred, it has been held that the notice was not essential.

With regard to the deposit of title deeds by way of equitable mortgage, as security against banking advances, it is necessary to bear in mind that a legal mortgage, though executed subsequently to, if the mortgagee has no notice of a previous equitable mortgage, has priority over, an equitable mortgage, and that an equitable mortgagee, in the absence of a contract, has no right to insist upon a legal mortgage; but he will apply to a court of justice to give effect to his equitable charge.

Therefore with the deeds a memorandum should be given, setting forth the purpose of the deposit, and undertaking, if called upon, to execute a legal mortgage.

And that there may be no doubt as to the validity of the security the deeds, or at all events, the principal portion of them, must be in the hands of the equitable mortgagee, and the lien be given at such a time, and under such circumstances, that no suspicion can possibly arise.

A banker has no right to detain, or appropriate to the liquidation of an advance or overdrawn account, property of any kind that has been deposited with him for safe custody. It must be given up to the depositor on his application, although he may at the time be indebted to the banker to the full amount of the property.

Nor can a banker, without the express consent of his customer, apply a balance realized by the sale of securities deposited to cover a specific advance, towards the satisfaction of any claim that may have arisen since the deposit. But on the other hand he would have a lien on securities deposited as security without a specific appropriation, although the claim may be subsequent to the deposit.

Under certain clauses of the 17th and 18th Victoria, a judge of one of the superior courts has power to issue an order by which a banker is prohibited from parting with any money he may have to the credit of a customer, except by payment into court.

The Lord Mayor's Court also has similar, but more extensive, authority within the limits of the City of London, as an attachment can there be issued to compel a defendant to appear and put in bail, whilst elsewhere judgment must first be obtained. This jurisdiction, however, more particularly applies to private banks, as in the case of joint-stock banks it is a disputed point, and is now before the judges on appeal in the Lord Mayor's Court.

Funds standing to the credit of tax collectors may be seized on behalf of the Crown under a writ of extent.

The power to compel a banker to produce his books in the law courts either in civil or criminal proceedings has long been felt as a great inconvenience to bankers and the public. To remedy this, the Bankers' Books Evidence Act has been passed, at the instigation of Sir John Lubbock, which provides that copies, properly certified,

may be produced in evidence instead of the original books, except in cases where the banker is a party to the suit, or a judge in the exercise of his discretion shall order that copies be not admissible.

The following is the text of the Act.

Bankers' Books Evidence Act.

39 & 40 Vict., cap. 48.

An Act to amend the Law with reference to Bankers' Books Evidence [11*th August*, 1876].

Whereas serious inconvenience has been occasioned to bankers and also to the public by reason of the ledgers and other account books having been removed from the banks for the purpose of being produced in legal proceedings:

And whereas it is expedient to facilitate the proof of the transactions recorded in such ledgers and account books:

Be it therefore enacted by the Queen's most excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

1. *Short title.*—This Act may be cited for all purposes as "The Bankers' Books Evidence Act, 1876."

2. *Interpretation clause.*—The word "bank" in this Act shall mean any person or persons, partnership or company, carrying on the business of bankers, and who at the commencement of each year shall have made their return to the Commissioners of Inland Revenue, and any Savings Bank certified under the Act of 1863.

The word "legal proceedings" in this Act shall include all proceedings, whether preliminary or final, in courts of justice, both criminal and civil, legal and equitable, and shall include all proceedings, whether preliminary or final, by way of arbitration, examination of witnesses, assessment of damages, compensation, or otherwise, in which there is power to administer an oath.

The words "the court" in this Act shall mean the court, judge, magistrate, sheriff, arbitrator, or other person authorised to preside over the said legal proceedings for the time being, and shall include all persons, judges, or officers having jurisdiction and authorised to preside over or to exercise judicial control over the said legal proceedings or the procedure or any steps therein.

The words "a judge of one of the superior courts" shall mean respectively a judge of Her Majesty's High Court of Justice in so far as this Act applies to England and Wales, a lord ordinary of the outer house of the Court of Sessions in Scotland in so far as it applies to Scotland, and a judge of one of the superior courts at Dublin in so far as it applies to Ireland.

3. *Entries in books by affidavit admissible in evidence.*—From and after the commencement of this Act the entries in ledgers, day books, cash books, and other account books of any bank shall be admissible in all legal proceedings as *primâ facie* evidence of the matters, transactions, and accounts recorded therein on proof being given by the affidavit in writing of one of the partners, managers, or officers of such bank, or by other evidence that such ledgers, day books, cash books, or other account books are or have been the ordinary books of such bank, and that the said entries have been made in the usual and ordinary course of business, and that such books are in or come immediately from the custody or control of such bank. Nothing in this clause contained shall apply to any legal proceeding to which any bank whose ledgers, day books, cash books, and other account books may be required to be produced in evidence shall be a party.

4. *Originals need not be produced.*—Copies of all entries in any ledgers, day books, cash books, or other account books used by any such bank may be proved in all legal proceedings as evidence of such entries without production of the originals, by means of the affidavit of a person who has examined the same, stating the facts of said examination, and that the copies sought to be put in evidence are correct.

5. *Proviso as to notice to parties in a suit.*—Provided always, that no ledger, day book, cash book, or other account book of any such bank, and no copies of entries therein contained shall be adduced or received in evidence under this Act, unless five days' notice in writing, or such other notice as may be ordered by the court, containing a copy of the entries proposed to be adduced and of the intention to adduce the same in evidence, shall have been given by the party proposing to adduce the same in evidence to the other party or parties to the said legal proceeding, and that such other party or parties is or are at liberty to inspect the original entries and the accounts of which such entries form a part.

6. *Power under order of court to inspect books and take copies.*—On the application of any party to any legal proceedings who has received such notice, a judge of one of the superior courts may order that such party be at liberty to inspect and to take copies of any entry or entries in the ledger, day books, cash books, or other account books of any such bank relating to the matters in question in such legal proceedings, and such orders may be made by such judge at his discretion either with or without summoning before him such bank or the other party or parties to such legal proceedings, and shall be intimated to such bank at least three days before such copies are required.

7. *Judge may order that copies are not admissible.*—On the application of any party to any legal proceedings who has received notice, a judge of one of the superior courts may order that such entries and copies mentioned in the said notice shall not be admissible as evidence of the matters, transactions, and accounts recorded in such ledgers, day books, cash books, and other account books.

8. *Bank not compellable to produce books except in certain cases.*—No bank shall be compellable to produce the ledgers, day books, cash books, or other account books of such bank in any legal proceedings, unless a judge of one of the superior courts specially orders that such ledgers, day books, cash books, or other account books should be produced at such legal proceedings.

9. *Proof as to status of bank.*—The fact of any such bank having duly made their return to the Commissioners of Inland Revenue may be proved in any legal proceedings by production of a copy of such return, verified as having been duly made by the affidavit in writing of one of the partners, or of the manager, or of one of the officers of such bank, or by the production of a copy of a newspaper purporting to contain a copy of such return, published in such newspaper by the said Commissioners of Inland Revenue.

It may not be out of place here to give a few practical hints, the observance of which will facilitate the transaction of business, and tend to promote a good understanding between banker and customer.

Having once opened a banking account it is an undesirable step for a commercial house to change their bankers, unless for very strong reasons, as it is frequently looked upon as a sign of weakness. It may sometimes be a convenience to have accounts with two or more bankers, but as a rule half confidence is not greatly esteemed, especially if the customer be a large discounter. Although cheques and bills of exchange, arrived at maturity, are passed to a customer's credit as soon as paid in, it is expected that they will not be drawn against until sufficient time shall have elapsed to enable the banker to collect the money. It is usual to say by a note in the pass book how long this operation will take, which generally will not exceed a few hours unless the post or the country clearing be the medium of collection, when three or four days should be allowed. The neglect of this precaution is often the source of much annoyance, causing the dishonour of cheques drawn against these "uncleared effects" and consequent loss of credit. The law says that a banker is bound to know his customer's handwriting, and there can be no doubt that it is just and right that it should be so; but, on the other hand, it is probable that more care would be exercised if it were left to a jury to say, in case of the forgery of the name of an habitually careless writer, whether the ordinary pen-

manship had not conduced to the success of the fraud. It is quite a mistake to suppose that illegible writing is the most difficult to forge; experience proves the contrary. The more distinct the writing the more difficult it is to imitate.

It is very desirable that the printed forms, supplied by bankers for the purpose, should be filled up and given in with all sums paid to a customer's credit; much time is thereby saved, and many mistakes avoided. Cheques and bills should also be carefully examined and put in order as to stamps, indorsements, &c.

We would strongly urge that instructions sent to a banker through the medium of a clerk or servant should be always in writing, NEVER VERBAL.

It is not usual for bankers to give receipts for money paid to a customer's credit over the counter. There are, however, some few exceptions to the rule.

Cheques remitted by post should always be crossed, if sent to the payee, with the name of his banker when known, otherwise with the words "and company" between transverse lines, or the lines alone.

When cheques are sent by the payee or holder to a bank for his credit, they should be crossed with the banker's name, not indorsed to his order, which only entails labour, without affording any additional security. The effect of crossing cheques will be found fully explained in a subsequent chapter. A banker having received notice of the death of a customer must not part with property of any kind belonging to him, notwithstanding any orders of the deceased; everything will henceforth be subject to the directions of the executors or administrators, as the case may be, after production of the probate or letters of administration.

Nor must a banker honour cheques or give up securities deposited by a customer, of whose committal of an act of bankruptcy he has had notice; the assignees alone have power to give receipts which will release the banker. This also applies to money paid to the bankrupt's credit after notice given.

On the bankruptcy of a banker securities or plate, deposited for safe custody, must be returned to the customer, also bills held for collection and not matured; but the balance of account and discounted bills belong to the estate. On opening a banking account the customer is supplied with a pass book, in which are entered by the banker from time to time all sums paid in and drawn out, and having received and examined it without raising any objection, he is taken to have acquiesced in its correctness.

The banker is likewise bound by the entries in the pass book, and unless he can clearly show them to be errors, they are in case of dispute, *prima facie* evidence against him.

A banker is bound not to disclose the state of his customer's account, though if a cheque be presented for payment, when he has no funds of the drawer's in hand, he will be justified in marking it to that effect. But supposing he has some money, though not enough to meet the cheque, he must give no further information than "not sufficient."

The curious case of Foster *v.* The Bank of London shows this very clearly. There a person on being refused payment of an overdue acceptance of the plaintiff for £542, managed to ascertain from the cashier that there was a deficiency of £104. This sum he paid to the credit of the account, and then by representing the bill obtained the whole of the balance. The plaintiff obtained a verdict against the bank for £438.

But on a trial, either civil or criminal, a banker may be asked as to the state of an account on a particular day, and will be obliged to answer.

It is the custom as a matter of courtesy between bankers to report confidentially as to the standing and financial responsibility of their customers in general terms; not of course in any way disclosing the state of an account. The case of Swift *v.* Jewesbury and Goddard shows that it is very necessary to supply information of this kind with due care. Mr. Swift, a customer of the Sheffield and Hallamshire Bank having received an order for rails to the

amount of about £3000 from Sir William Russell, requested them to ascertain from the Gloucestershire Banking Company, at Cheltenham, whether he might safely undertake the commission. A letter was written by the sub-manager of the Sheffield Bank to Mr. Goddard, manager, at Cheltenham, asking if Sir William Russell might be considered responsible for £50,000. To this the reply was that "Sir William Russell, M.P., for Norwich, was Lord of the Manor of Charlton Kings, with a rent roll I am told of £7000 per annum, the receipt of which is in his own hands, and has large expectancies, and I do not believe he would incur the liability you name unless he was certain to meet the engagement.—I am, gentlemen, yours faithfully, T. B. Goddard, manager."

This answer being communicated to Swift he executed the order, and failing to get his money brought an action against the Gloucestershire Banking Company, and Mr. Goddard for the amount.

It appeared that at the time the letter was written Sir William Russell was largely indebted to the Gloucestershire Banking Company, and that it was within the knowledge of Mr. Goddard that there were other considerable liabilities. The bank disclaimed responsibility on the ground that the letter was not written by Goddard in his capacity of agent, and this view, though not adopted in the Court of Queen's Bench, where judgment was given against the bank and Goddard, was affirmed on appeal to the Exchequer Chamber, who reversed the decision against the bank, whilst upholding it as regards Goddard.

CHAPTER IV.

CHEQUES.

What is a Cheque ?—How it should be drawn.—Dates—Post dating.—As to Stamps.—Must be payable to "Order," or "Bearer."—May be drawn for any sum in sterling Money. — Indorsement. — Presentation. — Crossed Cheques.—Bankers bound to pay Cheques.—Exceptions.—To whom the Banker is liable for negligent dishonour.—Forgeries.—Cheque not a legal tender.—Cheque in payment of a Bill of Exchange.—Cheques as evidence.—Returned paid Cheques.

The use of cheques appears to have commenced as far back as the time of the Romans, but it is difficult to fix the exact date of their introduction. The names by which they were then known were "attributio" and "prescriptio."

The advantages of the cheque system as a means of making a payment have only been appreciated, even in this country, for a comparatively short period, as we cannot discover that they were adopted to any extent before the year 1780, when the London bankers began to use them in lieu of the goldsmiths' notes, of which the issue was thereafter discontinued. Since that time the use of cheques has extended year by year, until it would probably be no exaggeration to say that in this country they are the medium by which 90 per cent. of all payments are made. Some idea of the very large amounts of money thus disbursed may be obtained by a perusal of the returns of the London Clearing House, though these include bills and other documents of less importance.

A cheque is an order addressed to a banker by his customer to pay a sum of money on demand, and provided the essential points mentioned below are noted, no particular form of words is necessary to render it legal, though the banker, after due notice given, may decline to

pay cheques not drawn according to his directions. The best plan is to adhere to the printed form now issued by all bankers to their customers, free of charge, except the stamp duty. The use of plain paper does away with an important safeguard against the operations of a systematic forger, as he can only obtain the printed forms by theft or forgery. It is we believe correct now to say that all bankers issue blank-printed cheques to their customers, the last dissentients, the old established firm of Child & Co. having adopted the system some years ago.

The place where a cheque is drawn should be truly stated, although this is not absolutely requisite, since the later changes in the stamp Acts impose the uniform duty without reference to the place of issue. A cheque should bear the date of the day on which it is drawn; though if otherwise dated it would not be illegal. Post-dated cheques, *i. e.* cheques bearing a date subsequent to the actual drawing used to be illegal. The drawer, payee, and the banker who knowingly paid such a cheque, incurred penalties, the drawer and banker of £100 each, and the payee of £20. The reason for this was that the use of post-dated cheques in lieu of bills of exchange occasioned a loss of stamp duty to the revenue. On this ground it is difficult to see why by the last stamp Act (33 & 34 Vict., cap. 99), post-dated cheques were legalised, except on the supposition that the practice was not likely to become general. Of course a banker inadvertently paying a post-dated cheque before maturity would have no right to charge his customer with the amount until it became due.

All cheques, with the exceptions mentioned below, are now subject to a duty of one penny, which may be denoted either by an impressed or adhesive stamp for which the drawer is liable. If, however, a cheque be issued unstamped, the payee or holder may supply the omission, and render the document valid, but the drawer will not thereby be relieved from the penalty incurred.

So again the person affixing an adhesive stamp is bound by law to cancel it by writing his name, or initials,

and the date across it, and will be liable to a fine for neglecting to do so, but any holder may legally cancel it.

Sufficient importance is not attached to the general direction as to the cancellation of adhesive stamps. The 24th sec. of the Stamp Act of 1870 says :

(1.) "An instrument the duty upon which is required or permitted by law to be denoted by an adhesive stamp, is not to be deemed duly stamped with an adhesive stamp unless the person required by law to cancel such adhesive stamp cancels the same by writing on or across the stamp his name or initials, or the name or initials of his firm, *together with the true date of his so writing*, so that the stamp may be effectually cancelled and rendered incapable of being used for any other instrument, or unless it is otherwise proved that the stamp appearing on the instrument was affixed thereto at the proper time."

(2.) "Every person who, being required by law to cancel an adhesive stamp, wilfully neglects or refuses duly and effectually to do so in manner aforesaid, shall forfeit the sum of ten pounds."

Prior to 1853 all cheques were unstamped, and were illegal if dated, or negotiated more than fifteen miles from the bank on which they were drawn; in that year an Act (16 & 17 Vict., cap. 59) was passed by which such cheques were legalised provided they bore either an impressed or adhesive penny stamp. The drawers were allowed the privilege of making these cheques payable to "order" instead of to "bearer," the effect of which will be mentioned below. This Act was constantly evaded by dating the cheque from the town on which it was drawn; it led, moreover, to endless disputes as to distance, and finally was a failure as a source of revenue. An Act (21 & 22 Vict., cap. 20) which came into operation in 1858, obliged all cheques drawn by private individuals to bear the penny stamp, with the exception of those payable to "self," and drawn at the bank counter, or paid to an authorised person for the *use* of the drawer. This exception has since been abolished, and at present the only cheques which may be legally paid without a stamp are

those of some of the Government offices, poor law unions, and charities. The transfers passing between bankers are likewise exempted. Cheques drawn, indorsed, or negotiated out of the United Kingdom were formerly considered by law as foreign bills, requiring *ad valorem* foreign stamps. The Channel Islands and the Isle of Man were included in the word foreign.

By the last stamp Act (33 & 34 Vict., cap. 97) this was altered, and all orders to pay money on demand wherever dated, are subject to the uniform duty of one penny.

Cheques to be valid must be payable to "bearer" or to "order."

If to "bearer" it is legal to insert either the name of the payee, a number, the article paid for, or to leave it blank, thus: Pay to { Mr. Smith / No. 1513 / Housekeeping } or bearer. or pay to bearer.

On the other hand, cheques payable to "order," as they require the indorsement of the payee, require his name to be inserted; it would obviously be absurd to say "Pay to No. 1513, or order."

A cheque must contain the sum to be paid, and may now be legally drawn for any amount, however small, provided it be expressed in sterling money, as a banker is not bound to honour cheques drawn for francs, dollars, &c.

We have seen that by the Act of 1853 the drawer of a cheque may make it payable to "order." The effect of this is that the payee before it is presented for payment must indorse it in the same way as a bill of exchange.

Provided an indorsement purport to be that of the payee, the banker is justified in paying the amount, and he is specially held harmless even though it should afterwards be proved that the indorsement was a forgery. Some bankers still refuse to recognise indorsements "per procuration" although protected by the decision in the case of Cookson *v.* Bank of England.

There appears to be a difference of opinion amongst bankers as to the proper course to adopt in the case of

cheques bearing several indorsements, some contending that if the first be in blank, the cheque is thereby made payable to bearer, and the banker relieved from the necessity of further examination. The general and probably the safer practice is in this respect to treat bills and cheques alike, although we believe the point has not been judicially decided.

Should the drawer have made any mistake in the orthography or style of the payee, the latter must in the indorsement copy the error, adding his correct name beneath.

The question frequently arises how should a cheque be indorsed if made payable to a lady by her husband or late husband's name, thus: "Pay to Mrs. Charles Smith, or order"? Here the correct indorsement would be "Mary Smith, wife of Charles Smith," or "Mary Smith, widow of the late Charles Smith."

The payee of a cheque is bound to present it in "reasonable time," and according to late judgments it appears that the limit is the close of business hours on the day following the receipt of the cheque. If he holds it longer than this he does it at his own risk as regards the insolvency of either banker or drawer. In the case of the death of the latter payment would be refused. Non-presentation of a cheque, however, within a reasonable time will not release the drawer from his liability (except by the action of the statute of limitations) unless he has actually sustained loss from the holding of the cheque, which he would do in the following hypothetical case:

A gives a cheque drawn on B to C, who feeling satisfied as to the stability of A does not present it for several days, during which time B fails, having assets of A's in his hands. Here C holds the cheque at his own risk; had he presented it on receipt, or within a day or two, it would have been paid. For A to bear the consequences of C's neglect would be obviously unjust, for by the non-presentation of the cheque his balance in B's hands is larger than it would otherwise have been, and his loss by the failure would thus be increased by the amount of the cheque.

Had A's been an overdrawn account he would not have been injured by C's neglect, the only effect of which would be that A's debt to B at his failure would be smaller than if the cheque had been paid in due course.

The holder of a cheque, not being the payee, is bound to present it during business hours not later than the day following its receipt; otherwise the person from whom he received it would be released in the event of the insolvency of the bank or the dishonour of the cheque. For this holder (in case of the insolvency of the drawer) to be able to charge the drawer, it is necessary that the cheque, whatever number of hands it may have passed through, should be presented within the same time as if it had remained in the original payee's possession. Still, if the drawer has sustained no injury from the non-presentation his liability is not cancelled. Where a cheque is drawn on a bank at a distance from the payee's place of residence, it would seem sufficient that the post of the second day should be the medium of presentation; in this case, as in all others, Sundays and Bank holidays must not be counted as days.

Presentation through the clearing house is recognised as strictly legal; country cheques may also be passed through the country clearing, although this entails, in most instances, the delay of a day.

The question of crossed cheques, about which so much has lately been written and spoken, now demands consideration. If we bear in mind that legislation on this point affects the greater part of the cheques now drawn, it will be at once seen that it is of the utmost importance that the law dealing with them should be founded on sound principles, and that it should be perfectly clear and easily understood.

The practice of crossing cheques, which has proved at once so simple and so great a safeguard against fraud, originated at the clearing house, where for the purpose of identification the clerks used to cross the cheques on other bankers with the name of their own house, and gradually the public adopted the system. For many years, how-

ever, although bankers used to take notice of the crossing, they were not compelled to do so; indeed, in the case Bellamy *v.* Majoribanks it was held that the crossing of a cheque to a banker did not affect the negotiability to such banker, or to any banker, but was simply a memorandum to the payee or holder to desire him to present through that banker, which memorandum he had the right to disregard if he chose. Such being the case Act 19 & 20 Vict., cap. 25, was passed to give a legal effect to the crossing of cheques. It consisted of but two clauses :

1st. In every case where a draft on any banker, made payable to bearer or to order on demand, bears across its face an addition in written or stamped letters of the name of any banker, or of the words "and company," in full or abbreviated, either of such additions shall have the force of a direction to the bankers upon whom such draft is made, that the same is to be paid only to or through some banker, and the same shall be payable only to or through some banker.

2nd. In the construction of this Act the word "banker" shall include any person, or persons, or corporation, or joint-stock or other company acting as a banker or bankers. But a difficulty almost immediately arose. The crossing was held (Simmons *v.* Taylor) not to be an integral part of the cheque; and the banker upon whom it was drawn was not made responsible for having paid a cheque of which the crossing had been fraudulently erased.

To remedy this state of things another Act was passed, 21 & 22 Vict., cap. 79, by which, whenever a cheque or draft on any banker, payable to bearer or order on demand, shall be issued, crossed with the name of a banker, or with two transverse lines with the words "and company," or any abbreviation thereof, such crossing shall be deemed a material part of the cheque or draft, and except as hereafter mentioned, shall not be obliterated or added to, or altered by any person whomsoever after the issuing thereof, and the banker upon whom such cheque

or draft shall be drawn shall not pay such check or draft to any other than the banker with whose name such cheque or draft shall be so crossed, or if the same be crossed as aforesaid without a banker's name, to any other than a banker.

Then it is provided that the lawful holder of an uncrossed cheque, or one crossed "and company," may cross it, or insert a banker's name.

It was made a felony to obliterate, alter, or add to a crossing, or to utter a cheque with the crossing so tampered with. But bankers were exonerated from responsibility for payment of cheques that did not plainly appear to have been crossed, unless they had acted *malâ fide*, or were guilty of negligence.

Such was the state of the law up to the year 1876, and very satisfactorily it has worked from the time of the passing of the above-named Act until the trial of the famous case, Smith *v.* the Union Bank of London, the decision in which created such a ferment in the minds of commercial men, appearing, as it did, to do away to a certain extent with the protection supposed to be afforded by the crossing of cheques.

The case as stated by consent was as follows: This was an action for the recovery of £21 9s., the amount of a cheque drawn by Richard Mills and others upon the defendants, payable to the plaintiff's order; which cheque, on the 9th January, 1874, the Civil Service Co-operative Association (of whom the drawers were the trustees) delivered to the plaintiff in payment of a debt of £21 9s. from them to him. The plaintiff accepted the cheque in payment, conditionally on its being honoured, and gave the Association a receipt for the amount.

The plaintiff banked with the London and County Bank, and having endorsed his name on the cheque crossed it with the name of the London and County Bank. While the plaintiff's servant was taking the cheque to the plaintiff's bankers it was stolen from him, and sold by the thief to Robert Thurger for £8 10s., who passed it for full value to C, a customer of the London and Westminster

LIBRARY OF THE UNIVERSITY CALIFORNIA.

Bank, and C soon afterwards paid it into the London and Westminster Bank. They presented it to the defendants for payment, and the defendants paid the money to the London and Westminster Bank, and returned the cheque to the drawers.

At the time the defendants paid the cheque it was crossed with the name of the plaintiff's bankers, the London and County Bank, and with two transverse lines, and such crossing was made and placed on the cheque by the plaintiff in such manner as to form and be a material part of the cheque within 21 & 22 Vict., c. 79.

The name of the London and Westminster Bank was not written across the cheque when it was paid by the defendants.

The question for the opinion of the Court was, whether the plaintiff was entitled to recover from the defendants for so paying the cheque or for converting the same.

On this statement of facts, and it having been assumed by the Court that C took the cheque *bonâ fide*, judgment was given by the Court of Queen's Bench in favour of the defendants, and this decision was afterwards affirmed on appeal.

The grounds for this judgment appear to be that. although the Union Bank were guilty of negligence in paying the cheque when presented by one banker in spite of the crossing to another, yet that no one was injured thereby. C, as a *bonâ fide* holder, was entitled to his money, and if the Union Bank had refused payment, he could have recovered from the drawer, in either case the result to the payee being identical.

It was expressly laid down that had the Union Bank paid the cheque to the banker of a person who was not a *bonâ fide* holder they would have been compelled to pay over again.

The real point for consideration was that which all parties agreed to take for granted, viz. was C a *bonâ fide* holder? His conduct in taking the cheque so crossed was, to say the least, very suspicious, and without explanation would go far to warrant the assumption of wilful negligence.

But after all, did the decision really necessitate a change in the law of crossed cheques? It was palpably an error of the Union Bank to pay this cheque, and the trial, by showing clearly the danger they had by a mere chance escaped, would naturally have acted as a warning for the future.

Be this as it may, the result was the passing of the Crossed Cheques Act 1876 (39 & 40 Vict., cap. 81) which repeals the previous Acts on the subject.

It is as follows:

Chapter 81.

An Act for amending the Law relating to Crossed Cheques.
[15*th August*, 1876.]

Be it enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

1. This Act may be cited as The Crossed Cheques Act, 1876.

2. The Acts described in the schedule to this Act are hereby repealed, but this repeal shall not affect any right, interest, or liability acquired or accrued before the passing of this Act.

3. In this Act—

"Cheque" means a draft or order on a banker payable to bearer or to order on demand, and includes a warrant for payment of dividend on stock sent by post by the Governor and Company of the Bank of England or of Ireland, under the authority of any Act of Parliament for the time being in force:

"Banker" includes persons or a corporation or company acting as bankers.

4. Where a cheque bears across its face an addition of the words "and company," or any abbreviation thereof, between two parallel transverse lines, or of two parallel

transverse lines simply, and either with or without the words "not negotiable," that addition shall be deemed a crossing, and the cheque shall be deemed to be crossed generally.

Where a cheque bears across its face an addition of the name of a banker, either with or without the words "not negotiable," that addition shall be deemed a crossing, and the cheque shall be deemed to be crossed specially, and to be crossed to that banker.

5. Where a cheque is uncrossed, a lawful holder may cross it generally or specially.

Where a cheque is crossed generally, a lawful holder may cross it specially.

Where a cheque is crossed generally or specially, a lawful holder may add the words not negotiable.

Where a cheque is crossed specially, the banker to whom it is crossed may again cross it specially to another banker, his agent for collection.

6. A crossing authorised by this Act shall be deemed a material part of the cheque, and it shall not be lawful for any person to obliterate or, except as authorised by this Act, to add to or alter the crossing.

7. Where a cheque is crossed generally, the banker on whom it is drawn shall not pay it otherwise than to a banker.

Where a cheque is crossed specially, the banker on whom it is drawn shall not pay it otherwise than to the banker to whom it is crossed, or to his agent for collection.

8. Where a cheque is crossed specially to more than one banker, except when crossed to an agent for the purpose of collection, the banker on whom it is drawn shall refuse payment thereof.

9. Where the banker on whom a crossed cheque is drawn has in good faith and without negligence paid such cheque, if crossed generally to a banker, and if crossed specially to the banker to whom it is crossed, or his agent for collection being a banker, the banker paying the cheque and (in case such cheque has come to the hands of

the payee) the drawer thereof shall respectively be entitled to the same rights, and be placed in the same position in all respects, as they would respectively have been entitled to and have been placed in if the amount of the cheque had been paid to and received by the true owner thereof.

10. Any banker paying a cheque crossed generally otherwise than to a banker, or a cheque crossed specially otherwise than to the banker to whom the same shall be crossed, or his agent for collection, being a banker, shall be liable to the true owner of the cheque for any loss he may sustain owing to the cheque having been so paid.

11. Where a cheque is presented for payment, which does not at the time of presentation appear to be crossed, or to have had a crossing which has been obliterated, or to have been added to or altered otherwise than as authorised by this Act, a banker paying the cheque, in good faith and without negligence, shall not be responsible or incur any liability, nor shall the payment be questioned, by reason of the cheque having been crossed, or of the crossing having been obliterated, or having been added to or altered otherwise than as authorised by this Act, and of payment being made otherwise than to a banker or the banker to whom the cheque is or was crossed, or to his agent for collection being a banker (as the case may be).

12. A person taking a cheque crossed generally or specially, bearing in either case the words "not negotiable," shall not have and shall not be capable of giving a better title to the cheque than that which the person from whom he took it had.

But a banker who has in good faith and without negligence received payment for a customer of a cheque crossed generally or specially to himself shall not, in case the title to the cheque proves defective, incur any liability to the true owner of the cheque by reason only of having received such payment.

SCHEDULE.

Acts repealed.

19 & 20 Vict. c. 25.	An Act to amend the law relating to drafts on bankers.
21 & 22 Vict. c. 79.	An Act to amend the law relating to cheques or drafts on bankers.

We have here several alterations, some technical, others in matters of principle.

For the first time the "two parallel transverse lines simply" constitute a legal crossing. This may be considered an improvement, as many people believed that the two lines were sufficient and acted accordingly, thereby embarrassing their bankers.

The permission given by the fourth clause to add to a general or special crossing the words "not negotiable, the effect of which, as explained by the twelfth clause, is that a person taking such a cheque shall not have and shall not be capable of giving a better title to the cheque than that which the person from whom he took it had" was inserted as a supposed bar to the negotiation of a stolen cheque, but will probably become a dead letter. If such a clause was necessary it would have been much more simple to make it apply to all cheques crossed or uncrossed. It would only have made people a little more careful as to the exchange of cheques for strangers.

It is somewhat difficult to see what is meant in the ninth clause by the banker paying a crossed cheque, (according to the crossing) "in good faith and without negligence." It is his duty to pay, and the question of good faith does not arise.

The tenth clause specially meets such a case as Smith *v.* Union Bank.

Generally bankers are bound to honour their customers' cheques if they have funds sufficient in hand; there are, however, exceptions to this rule. In some instances they would be protected in refusing to pay, in others they

could not legally charge amounts which had been paid. Thus, a banker would be protected in dishonoring a cheque if the funds to meet it had not been in his hands for a reasonable time. The question what might be a reasonable time would be for a jury to answer.

Again, he would be justified in refusing to pay a cheque, although he had sufficient funds in hand, if those funds had been placed to the credit of the drawer to meet other claims of which the cheque in question formed no part. Of course if the drawer of a cheque request the banker not to pay it, the latter would be protected in his refusal. It is customary in such cases for a banker to disclaim responsibility if such a cheque should be paid in the hurry of business; that is, he will only promise to do his best to stop it.

The bonâ fide holder of a stopped cheque can recover the sum from the drawer, even should it originally have been obtained by fraud.

Bankers will not pay without inquiry cheques that have been long issued, but no stated time seems to have been laid down beyond which they ought to refuse payment. It therefore appears to be left to their discretion to act according to the circumstances of each case. In practice a banker usually writes to the drawer for instructions before paying a cheque dated twelve months back. Dividend warrants frequently bear printed instructions that they are not to be paid unless presented within six months after date.

A banker who, knowing that a customer had committed an act of bankruptcy, yet pays his cheques, renders himself liable to an action by the assignees for the recovery of the money.

A banker, except by special order of the executors, must not pay a cheque if he has received official notice of the death of the drawer.

For the negligent dishonour of a cheque a banker is liable to an action for damage sustained by the drawer; the payee or holder would, however, have no remedy at law.

A banker cannot charge his customer with a forged

cheque, nor for one that has been fraudulently altered, *unless the drawer by his original filling up has greatly facilitated the fraud.*

The following case, taken from "Byles on Bills," will explain this:

A customer of a banker on leaving home intrusted to his wife some blank cheques, signed by himself, to be used in the business when requisite. She filled up one with the words "fifty-two pounds two shillings," beginning the word fifty with a small letter in the middle of a line. The figures 52 : 2 were also placed at a considerable distance to the right of the printed £. She gave the cheque to her husband's clerk to get the money. He, before presenting it, inserted the words "three hundred" before the word fifty, and the figure 3 between the printed £ and the figures 52 : 2. It was paid by the bankers for £352 2s. Held, that the improper mode of filling up the cheque had invited the forgery, and, therefore, that the loss must fall on the customer and not on the banker. It will be observed that this is a particularly strong case, and the question may arise whether if the facts were materially weaker they would be held to exonerate the banker from liability.

A cheque is not a legal tender, and for that reason may be objected to, but having been accepted by a creditor, he cannot proceed against his debtor until the cheque has been presented and dishonored.

When a cheque has been taken in payment of a bill of exchange it is not usual to part with the bill, but to attach it to the cheque, so that the drawer will receive both together from his banker. The mere production of a paid cheque is not sufficient evidence of the discharge of a debt; it is necessary also to prove that the cheque has actually passed through the creditor's hand, which, however, can easily be done by making the cheque payable to the creditor's order.

A cheque will not suffice to prove the loan of money by the drawer to the payee; nor can a banker produce cheques paid by him as proof of an advance to his customer.

It is the practice of London bankers to return the cheques and bills of exchange paid by them on behalf of their customers with the pass books in which the debits are entered. Many country bankers do not adopt this rule, but retain the vouchers, subject, of course, to inspection.

The law on the subject seems to be that paid cheques are the absolute property of the drawers, and that if retained by the banker it is only as agent.

It is, doubtless, perfectly right and in accordance with general usage that the drawer should have his cheques as vouchers for his payments, but, on the other hand, difficulties may arise between banker and customer.

Suppose that a customer disputes an entry in his pass book, but alleges that, in accordance with his usual practice, he has destroyed the cheques. As the banker's books would probably be objected to as evidence in his favour, it would seem difficult for him to prove his case, having parted with the document that was at once the order to pay and the receipt for the money.

CHAPTER V.

BILLS OF EXCHANGE.

The use of a Bill of Exchange—The form of drawing—Respecting alterations—Agreement of body with figures—Bills of Exchange drawn in sets—Presentation at maturity; before maturity; after maturity—Mode of proceeding with Dishonored Bill—Notation of protest; necessity for, and security of—Acceptance; acceptance contrary to tenor—Stamps, inland and foreign—Indorsements—Bankruptcy of acceptor—Statute of Limitations, as affecting Bills of Exchange—Payment—Cases in which a Banker is justified in refusing payment of a Bill or Note—Discounting Bills—Indications in case of need—The 'copy' of a Bill.

1. *The Use of a Bill of Exchange.*

THERE does not appear to be any evidence of the existence of bills of exchange among the ancients, and there are differences of opinion as to the exact time of their introduction. Byles in the preface to his well known 'Treatise on the Law of Bills of Exchange,' &c., says "it is certain that bills of exchange are in use in the fourteenth century. Indeed they are mentioned as "lettres d'eschanges" in the English Statute Book (3 Ric. 2, c. 3) as early as the year 1379, though we find in our English reports no decision relating to them earlier than the reign of James I.* Pothier, in his 'Traité du Contrat de Change,' partie prem.; chap. I, s. I, remarks: "Il n'y a aucun vestige de notre contrat de change, ni des lettres de change, dans le droit Roman. Ce n'est qu'il n'arrivât quelquefois chez les Romans, que l'on comptât pour quelqu'un une somme d'argent dans un lieu à une personne, qui se chargeoit de lui en faire compter autant dans un autre lieu. Ainsi nous voyons, dans les lettres

* Martin *v.* Boure, Cro. Jac. 6.

de Cicéron à Atticus, que Cicéron voulant envoyer son fils faire ses études à Athènes s'informe si pour épargner à son fils deporter lui-meme à Athènes, l'argent dont il y auroit besoin, on ne trouveroit pas quelque occasion de le compter, à Rome, à quelqu' un que se chargeoit de lui faire compter a Athènes. Epist. ad Att. xii, 24; xv, 25. Mais cela n'étoit pas la négociation de lettres de change telle qu'elle a lieu parmi nous; cela se faisoit par de simples mandats."

A bill of exchange was employed, in the first instance simply as a letter of credit from one country to another, much more extensive in form than the document used in the present day, and containing an amount of matter which time has gradually reduced to its present more business-like dimensions. This mode of settling accounts between merchants in distant lands, was found to be of infinite use, as it obviated the great risk of carrying large amounts of specie, and told at a glance the value of the document, thereby considerably facilitating pecuniary transactions in commercial intercourse. These bills of exchange, after having done duty from one country to another, changed hands frequently before they were finally disposed of.

Bills of exchange, on being introduced into this country, were discovered to be of greater use than merely as the representatives of so much money, as they could be instrumental in effecting the assignment of a debt, and as such are now recognised by the common law. Not only was the debt transferred, but its value was enhanced, inasmuch as the debtor himself accepted to pay a *certain* amount, from which engagement he could not afterwards depart. These bills of exchange were allowed only among merchants at first; but, as commerce increased, they became common with all classes of traders, and long ago it became evident to the governments of all countries that it was in their own interests, not less than in those of the commercial communities they governed, that the law applicable to these instruments should be made as clear and expeditious as possible. The same authority to

which we have just referred, wrote as far back as 1829, "at the first introduction of bills of exchange the English courts of law regarded them with a jealous and evil eye, allowing them only between merchants; but their obvious advantages soon compelled the judges to sanction their use by all persons; and of late years the policy of the bank has been industriously to remove every impediment, and add all possible facilities to these wheels of the vast commercial system."

2. *The Form of Drawing.*

In drawing a bill or note the law does not compel the maker to use ink; the document would have the same effect if written in pencil; but the liability to obliteration would prevent the use of a pencil, except in cases where no other material was at hand. There are usually three parties to a bill of exchange: 1st, the drawer: 2nd, the drawee, who, on the completion of the document, becomes acceptor; and 3rd, the payee—the person to whom the amount specified in the bill or note is to be paid, to his order or to the bearer, as the case may be. Frequently the drawer is also the payee. When the payee's name is followed by the word 'order'—which is the most customary method—an endorsement becomes necessary previous to the instrument changing hands. The word 'bearer' coming after the payee's name renders any writing unnecessary in the event of transfer—'bearer' simply implying anybody. It is very unusual to draw a bill of exchange payable to 'bearer,' although no legal objection can be raised against it.* It is scarcely necessary to explain that the 'holder' of a bill is the person in actual —or, as Sir J. B. Byles says, in 'constructive'—possession, and legally entitled to recover the amount specified, from the parties thereto.

Inland bills of exchange are drawn on demand, at so

* In case Rex *v.* Randall, Eyre, C.B., ruled that a bill payable to blank or order was waste paper. In Minet *v.* Gibson, the majority of the judges held an opposite opinion.

many days', or weeks', or months' sight, or date, as the case may require, or payable on such a day named therein; in all cases, excepting with paper of the Bank of England, carrying three days' grace. Where no time is named, the document is payable on demand.

Foreign bills are the same in form as inland bills, but they will sometimes be drawn at longer dates, according to the distance of the countries from one another between which they are to operate; the tenor, however, depends upon a variety of circumstances, and may be extended to almost any period, provided the parties thereto are agreed. It will stand to reason that the longer a bill has to run the less will its value be, and the more difficult its negociation.

A note drawn payable by instalments is held good, and the holder is protected by the statute 3 & 4 Queen Anne; three days of grace may be demanded for every instalment. The term 'usance,' in connection with foreign bills, denotes the customary tenor at which bills are drawn, depending upon the distance between countries; where 'usance' is half a month, the time is fifteen days.

A 'sola' bill of exchange is a single bill, as distinguished from bills drawn in 'sets.' In drawing a bill of exchange, care should be taken in the description of the payee, that he be not confounded with another of similar name. When a bill is drawn by procuration, the authority to draw is admitted, but not to indorse. If a bill miscarry —unless payable to 'bearer'—the unlawful possessor can neither acquire nor convey any title thereto.

The power given to another person to draw, accept, or indorse, by the term 'per procuration,' is recognised by the law only to a limited extent. It is held that any person giving value for a *bill* drawn, indorsed, or accepted 'per procuration,' without inquiring as to what extent such authority has been given, does so at his own risk, and will lose the amount if the authority be unauthorised. With cheques, however, the contrary has been maintained, and we are of opinion with justice. In the despatch of business it is quite impossible for a banker to ascertain the

genuineness of a 'per procuration' indorsement upon a cheque, without causing unreasonable delay; in addition to which, the banker should not be made to suffer for the negligence of others, or be compelled to take the responsibility of the risk which other people must run, of engaging dishonest and untrustworthy persons to assist them with their business. In all such cases great care should be taken to define the extent of the authority given, as, permission having occasionally been given to indorse, a jury might consider themselves justified in inferring that the authority was general. A bill drawn to the order of one person and indorsed by another of similar name, is held to be a forgery. In drawing a bill, it is better, although not absolutely necessary, to state the amount in figures as well as in writing. If the body and figures differ, the body will be taken to be the amount for which the bill is made payable. A bill may be drawn at any tenor without objection. Drawing a bill after so many days' sight, literally means after legal acceptance, and must not be taken to mean a mere exhibition of the document to the drawee. When a bill is drawn at so many months' sight or date, the month must be understood to be calendar. A bill drawn at so many days' sight, must be computed exclusively of the day on which it is sighted and exclusively of the day it falls due. A bill drawn, indorsed, or accepted in blank by an infant, does not bind him, if it be filled up after he is of age.

The legal days of grace at London are three, and also for commercial bills drawn at date at New York. United States sight bills or bills on a bank do not carry grace. At St. Petersburg the days of grace for accepted date paper are ten; not accepted paper carries no grace. In Russia sight bills are payable on the third day after acceptance. The banks and large foreign houses do not avail themselves of this privilege. At Stockholm there are no days of grace, but it is customary not to protest until the day after the due date.

Whether or not the drawee of bills drawn at sight could legally claim days of grace was for a long time a disputed

point, but the question was settled by 34 & 35 Vict., c. 74, ss. 2, 4, which says that bills and notes drawn after August 14th, 1871, payable at sight or on presentation, are payable on demand, and therefore no days of grace are allowed.

Bills or notes on demand carry no grace; an instrument made payable on demand is rightly termed a draft. It must be remembered that in computing bills drawn in Russia or Turkey, in consequence of their adherence to the old style, twelve days must be allowed. It is held that a bill or note, neither payable to order nor bearer, is *not* a negotiable instrument, though it remains valid as a security between the original parties.

When a bill falls due on a Bank holiday it is presentable, payable, protestable, &c., on the morrow.

In drawing a bill the words 'value received' are not—as supposed by many—essential parts of a bill, as made between drawer and acceptor, or between drawer and payee. Without the drawer's signature, a bill, even if it be accepted, is useless. Although custom demands it, the law does not compel the drawer to sign in any particular part of the document. A person unable to write may sign by his mark properly witnessed. If the drawer of a bill attach his signature to a blank form, he is responsible and liable for anything that may be filled in after, within the amount carried by the stamp. In case of a bill of exchange being dishonoured, and an action brought against the drawer, he cannot be proceeded against if he can prove that the document was not presented at the place where the drawee had originally accepted it payable. Direction as to where payable may be made in any part of the bill, provided the acceptance be appended. In the case of a promissory note, this is not applicable, for if the place of payment be noticed merely in a disconnected part of the document, in the form of a memorandum, it has been held to be a fatal misdescription; it should be stated in the body, and thereby become part of the contract. Where an instrument is drawn in a careless way, in the form of a promissory note, and accepted, and

indorsed as a bill of exchange, the holder may treat it as either, at his option. A bill made payable to the order of the drawee, it is hardly necessary to state, is not a bill of exchange. An instrument instructing the drawee to pay without accepting, is a legal bill of exchange.

Bills and notes demand payment in specie or Bank of England notes only; other descriptions of goods are not considered payment, and if drawn to include other than specie payment, are invalid. Byles, p. 357, says on this point, 'Goods treated as money are a sufficient payment.' If drawn subject to additions or deductions of interest, the document is of no use, even for the original amount. Bills or notes, the payment of which depend on any uncertain event, such as marriage or the realisation of sums of money consequent upon any speculation, are not countenanced by the law, and are useless as evidence. In case of a memorandum being added after the completion and handing over of the document, by way of defeasance, it is looked upon as a separate and independent agreement, and must have a proper stamp; but it must be remembered that an agreement must be only between the original parties to the instrument, and that any collateral arrangement will be of no avail as regards an interference with the progress of the bill or note. Any oral agreement is useless against a written contract.

3. *Respecting alterations.*

A bill of exchange or note ceases to be of any value after having been altered in a material part, irrespective of who may have made such alteration. Persons holding such documents are considered bound in obedience to the laws of society to uphold them in their integrity both as regards their own acts and those of other people who may in the course of business hold such instruments in their hands for the account of their employers.

An alteration made by the drawer or other holder, without the consent or knowledge of the acceptor, is considered a full discharge to the acceptor. The acceptor

pledges himself to pay at a certain place; any alteration of that, without his knowledge, releases him from his original contract. A person indorsing a bill so altered to another person ignorant of the alteration cannot sue his indorser upon default; the acceptor not being held responsible for a change from the place where he had undertaken to pay. An alteration before the delivery of the instrument will not vitiate it; nor will the alteration of any slight error which may have occurred by which the original intention of the maker is furthered. Either payee or indorsee having given value for the bill, an alteration, though *before* acceptance, avoids the document. An alteration made at any period by the drawer or payee, though it renders void the instrument, does not extinguish the debt. An alteration by an indorsee not only liberates all the antecedent parties, but extinguishes the debt due to the indorsee by the indorser. The renewal of a bill consequent on any alteration does not render liable parties to the original unless duly apprised thereof.

4. *Agreement of Body with Figures.*

In cases of difference between body and figures, it is held that the writing in the body—being, in fact, the principal substance of the instrument—should be presumed to be the amount intended, as it is more probable that an error would occur in the figures. A banker having a bill presented thus differing, and holding no advice—which is frequently the case—would be governed in his actions by the nature of the alteration.

5. *Bills of Exchange drawn in Sets.*

In purchasing bills of exchange in one country to remit to another, it is customary to draw two or three bills to a set; but more must be furnished if demanded. In most cases only two are required. However many bills may be drawn in a set, they compose but one bill. All the

parts of a set must be numbered alike, so that each has undoubted reference to the other part. Each of such parts contains the written condition that it will be paid, provided only that no other part of the same bill has been already paid. The mode of dealing with the parts may differ, according to circumstances. A purchaser may not intend to employ the 'second' at all, but only to hold it in case the 'first' should be lost, in which event the 'second' answers his purpose as well as the 'first.' The 'first' may be forwarded for acceptance, and the 'second' indorsed away for value, subsequently finding its way to the accepted 'first,' to which it will be attached, and both paid at maturity. The payment of any one part extinguishes the whole. The parts of a bill not being written so as to show undoubted reference one to the other, may oblige the drawer to pay more than one part in the event of anything going wrong. A drawee will, of course, take care to accept only one part, and always to obtain possession by payment of such part as he may have accepted, otherwise he may have to pay twice.

6. *Presentation at Maturity—Before Maturity—After Maturity.*

It is not necessary, on the arrival of a bill at maturity, to present it to the acceptor personally. It is his business to provide for it at the place indicated. It is absolutely necessary that the bill or note should be presented, when due, at the place indicated, otherwise legal proceedings will be of no avail against the indorsers. The acceptor or maker, however, still remains liable; but a person who guarantees the payment of a bill is *not* released by the non-presentment. A reasonable time is allowed to present a bill payable on demand. If it be received one day, it is not necessary that it should be presented until the day after. A promissory note, payable on demand, may be taken as an exception to this rule, as it is frequently given as a continuing security, carrying interest. It is not, therefore, considered sufficient neglect to discharge the

indorser, if it be presented within a reasonable time after its reception. Where bills are made payable at private houses, with no recognised hours of business (such as bankers have), as late as eight o'clock in the evening is not considered unreasonable by the law. If a bill be drawn, payable at a certain place, even though it be different from that indicated by the acceptance, presentment must be made there, in order to charge the drawer. If a bill be made payable at one of two places, presentment at either will suffice. Proof of presentment at the place indicated, though no one were in attendance, neither did the acceptor live there, would suffice. In the case of a promissory note, the place of payment must be mentioned in the body of the document, so as to be a part of the contract. Presentment at a place indicated in a detached memorandum will not suffice, and is held to be fatal to the document. Circumstances, however, may exist in which non-presentment, when due, will not discharge the antecedent parties —a bill seized under an extent, for instance, as laches cannot be imputed to the crown. Neglect to present, when due, discharges the antecedent parties—the only recourse being against drawer and acceptor. Should the acceptor, however, have failed since the day of maturity, the drawer is also released, unless the holder can satisfactorily prove that, had the bill been presented at maturity, it would have been refused for a sufficient reason, such as no effects, no orders, nor advice.

7. *Mode of Proceeding with a Dishonoured Bill.*

In case a bill should not be paid when presented, it is customary and necessary to leave a written notice, containing the particulars of the bill, so that at a later period of the day the acceptor may procure the funds necessary to meet the bill, and prevent its being protested. Notice of dishonour may be given by the holder's agent or attorney, and in his own name stands good. Notice of dishonour should be given to each indorser, each being entitled. The drawer of a bill,

when payable to a third party, is entitled to notice. Neither the drawee nor acceptor of a bill, nor the maker of a promissory note, is entitled to notice. It is safest for the holder to give notice himself to all the indorsers; as, if he only give notice to his immediate indorser, and it is not regularly transmitted to the antecedent parties, they are discharged. It is also necessary that there be no laches in the circulation of the notices, no more than one day being allowed between each, as any neglect on the part of one indorser is not compensated for by extra diligence on the part of another. Laches committed by any indorser discharges all the antecedent parties. If the party be dead, notice must be given to his personal representatives. Where a firm or number of people are jointly liable on a bill, notice to one is sufficient. Notice of dishonour need not be given when a bill is drawn on an insufficient stamp, nor is it necessary to the indorser of a promissory note not negotiable. A promise of part payment, or an acknowledgment of liability, will be evidence of notice.

8. *Notation of Protest—Necessity for, and Security of.*

Noting bills of exchange and promissory notes as is customary among bankers and merchants at the present time, is a different operation from the 'notation of protest,' as regards foreign bills of exchange. The mere 'noting' is a minute made by the notary, an officer appointed by the Archbishop of Canterbury, and whose appointment is registered and subscribed by the Clerk of Her Majesty for Faculties in Chancery.* Noting is recognised by the law as the preliminary step to the protest, and is, strictly, a part of it. At the same time, bills are noted when no protest is intended. In a case of legal proceedings against parties to a dishonoured bill, the notary would be considered an essential witness of the presentment and dishonour. The minute of the

* The first instance of a woman being appointed as a 'Notary public' occurred at Chicasaw County, Iowa.

notary, which is attached to the bill, is satisfactory evidence of the document having been duly presented, either for payment or acceptance. The notary is a person conversant with such transactions, and is considered a qualified person to direct the holder as to the course to be pursued. With respect to the charges, it appears that, according to the resolutions passed at a meeting of some of the notaries belonging to the city of London, which was held at the George and Vulture Tavern, on July 1st, 1797, the following charges were agreed to, which were approved by the Bank of England:—For bills payable or to be accepted by persons living within the old walls of London, 1*s.* 6*d.*; beyond the old walls, and not farther than certain boundaries known to the notaries, which it is scarcely needful to specify at length, 2*s.* 6*d.*; beyond such boundaries, and not off the pavement, 3*s.* 6*d.*; every mile after leaving the pavement, 1*s.* 6*d.* additional. Bills protested within the old walls of the city of London, inclusive of a 4*s.* stamp-duty, and exclusive of noting charge, 6*s.* 6*d.*; without the old city walls, under the same conditions, 8*s.*

For all acts of honour within the walls upon any one bill, 1*s.* 6*d.*; without the walls, according to the charges before mentioned for bills which will cause the notary to proceed beyond the boundary of the old walls of the city of London.

It was not allowed by the law to recover the notarial charges against the acceptor unless special damage was made in the declaration; but under an Act, 18 & 19 Vict., the expenses of noting may be recovered. The protest of a foreign bill is begun the day it falls due; but such custom does not exist everywhere, as in many countries no steps are taken at all until the evening of the second day, which is sufficient to protect the holder. All inland bills are not protested until the second day, or the day after the bill falls due. The protestation of foreign bills is customary among nations, as regulating international transactions. It affords undoubted proof of dishonour to the drawer, without which evidence he would have to rely

upon the representation of the holder. The acts of a public functionary are credited by foreign courts, and a bill protested under the seal of a foreign notary will be received as evidence in our courts of the dishonour of a bill payable abroad.

A foreign promissory note need not be protested.

In the absence of a notary-public, a protest may be made by any inhabitant of the place in the presence of two witnesses.

The form of a protest is a solemn declaration made under a fair copy of the bill, stating that payment or acceptance has been refused; assigning the reasons, if any, and that it is therefore protested.

A bill also may be protested for better security. Where the acceptor becomes insolvent, and his credit is publicly impeached before the bill falls due, the holder may employ a notary to demand better security, and, on refusal, the bill may be protested, and notice may be sent to an antecedent party; but no proceedings can be taken until after the bill has fallen due. A second acceptance may appear upon a bill for honour, but *not* without the intervention of a protest. Her Majesty's consuls residing abroad are empowered to do all notarial acts; also attorneys residing more than ten miles from the Royal Exchange may be admitted to practice as notaries. On occasions when a bill is refused acceptance, or is protested for better security, any person may accept for honour 'supra protest,' the form of which is as follows:—The acceptor, 'supra protest,' must appear personally with a witness before a notary-public, and declare that he accepts the bill for the honour of drawer or indorser, and that he will meet it at the appointed time, when he has to accept the bill 'supra protest' in the usual way in favour of whoever the person may be. When the acceptance 'supra protest' is made without mentioning the name, it is considered as made for the honour of the drawer.

9. *Acceptance.*

The literal meaning of the word acceptance, as applied to bills of exchange, signifies an engagement on the part of the drawee to meet the bill in money when it falls due; which engagement generally appears across the face of the instrument. But a bill of exchange may exist without an acceptance. An instrument drawn by A. upon B. directing him to pay C. a certain sum at a given time, without acceptance, is a bill of exchange. A bill must be accepted by the intended drawee, except for honour. A partner by accepting binds his co-partners. A retired partner is only liable on those bills signed while he remained a partner. If a bill be drawn on several persons not in partnership all must sign; if not, it may be treated as dishonoured; but acceptance will be binding on those who have accepted.

If any person be rash enough to accept on a blank form, he is liable for any amount which the stamp will cover. A written or oral promise to pay or accept an existing foreign bill, is considered at common law an acceptance. The holder of a bill must not agree to a qualified acceptance without giving notice to the previous parties; if such a proceeding takes place without their consent, they are discharged; but the holder must neither protest nor give notice of dishonour, as he thereby precludes himself from recovering against the acceptor.

Acceptances may be made conditionally; such, for instance, as an agreement to pay the bill when certain monies were realised. A bill accepted for a part of the sum for which it was drawn is held good, and may be sued on *pro tanto*. The acceptance of a bill by the drawee may be cancelled at any time, provided the bill has not been delivered or the fact of acceptance been made known to the holder. The cancellation of an acceptance by the acceptor's banker does not render the banker legally liable, if it can be proved that due care was taken. The cancellation of the acceptor's name by the holder is equivalent to a discharge. The acceptor of a bill, when it has once been delivered, is supposed to have satisfied

himself that all is right, and cannot withdraw on the plea of the drawer's signature being forged; he also admits the capacity of the payee to indorse, and cannot set up the infancy of the payee, or the fact of the drawer being a married woman, as a plea.

Care should be taken also as regards a bill, being drawn by a married woman, as the husband can sue or indorse; the consequence of which may be that the acceptor will be compelled to pay the bill twice.

If an acceptor die before the maturity of a bill it must still be presented for payment; if necessary, demand must be made at the executor's place of abode, and, on refusal, must be protested.

10. *Acceptance contrary to Tenor.*

A bill may be protested for acceptance contrary to tenor; that is, if it be accepted for a longer date than is mentioned in the bill. Acceptance may, however, be taken, whichever way the drawee accepts, as a second protest may be made for non-payment at the expiration of the time mentioned in the bill. No one can discharge the acceptor of a bill except the holder or some one authorised by him.

11. *Stamps—Inland and Foreign.*

The following clauses are from "the Stamp Act of 1870" of 33 & 34 Vict., cap. 97, which came into operation on the 1st of January, 1871, and from 45 to 55 inclusive apply to Bank Notes, Bills of Exchange, and Promissory Notes.

As to Bank Notes, Bills of Exchange, and Promissory Notes.

45. The term "banker" means and includes any corporation, society, partnership, and persons, and every individual person carrying on the business of banking in the United Kingdom.

The term "bank note" means and includes—

(1.) Any bill of exchange or promissory note issued by any banker, other than the Governor and Company of the Bank of England, for the payment of money not exceeding one hundred pounds to the bearer on demand:

(2.) Any bill of exchange or promissory note so issued which entitles or is intended to entitle the bearer or holder thereof, without endorsement, or without any further or other indorsement than may be thereon at the time of the issuing thereof, to the payment of money not exceeding one hundred pounds on demand, whether the same be so expressed or not, and in whatever form, and by whomsoever such bill or note is drawn or made.

46. A bank note issued duly stamped, or issued unstamped by a banker duly licensed or otherwise authorised to issue unstamped bank notes, may be from time to time re-issued without being liable to any stamp duty by reason of such re-issuing.

47. (1.) If any banker, not being duly licensed or otherwise authorised to issue unstamped bank notes, issues, or causes or permits to be issued, any bank note not being duly stamped, he shall forfeit the sum of fifty pounds.

(2.) If any person receives or takes any such bank note in payment or as a security, knowing the same to have been issued unstamped contrary to law, he shall forfeit the sum of twenty pounds.

48. (1.) The term "bill of exchange" for the purposes of this Act includes also draft, order, cheque, and letter of credit, and any document or writing (except a bank note) entitling or purporting to entitle any person, whether named therein or not, to payment by any other person of, or to draw upon any other person for, any sum of money therein mentioned.

(2.) An order for the payment of any sum of money by a bill of exchange or promissory note, or for the delivery of any bill of exchange or promissory note in satisfaction

of any sum of money, or for the payment of any sum of money out of any particular fund which may or may not be available, or upon any condition or contingency which may or may not be performed or happen, is to be deemed for the purposes of this Act a bill of exchange for the payment of money on demand.

(3.) An order for the payment of any sum of money weekly, monthly, or at any other stated periods, and also any order for the payment by any person at any time after the date thereof of any sum of money, and sent or delivered by the person making the same to the person by whom the payment is to be made, or to any person on his behalf, is to be deemed for the purposes of this Act a bill of exchange for the payment of money on demand.

49. (1.) The term "promissory note" means and includes any document or writing (except a bank note) containing a promise to pay any sum of money.

(2.) A note promising the payment of any sum of money out of any particular fund which may or may not be available, or upon any condition or contingency which may or may not be performed or happen, is to be deemed for the purposes of this Act a promissory note for the said sum of money.

50. The fixed duty of one penny on a bill of exchange for the payment of money on demand may be denoted by an adhesive stamp, which is to be cancelled by the person by whom the bill is signed before he delivers it out of his hands, custody, or power.

51. (1.) The ad valorem duties upon bills of exchange and promissory notes drawn or made out of the United Kingdom are to be denoted by adhesive stamps.

(2.) Every person into whose hands any such bill or note comes in the United Kingdom before it is stamped shall, before he presents for payment, or indorses, transfers, or in any manner negotiates, or pay such bill or note, affix thereto a proper adhesive stamp or proper adhesive stamps of sufficient amount, and cancel every stamp so affixed thereto.

(3.) Provided as follows;

(*a.*) If at the time when any such bill or note comes into the hands of any bonâ fide holder thereof there is affixed thereto an adhesive stamp, effectually obliterated, and purporting and appearing to be duly cancelled, such stamp shall, so far as relates to such holder, be deemed to be duly cancelled, although it may not appear to have been so affixed or cancelled by the proper person.

(*b.*) If at the time when any such bill or note comes into the hands of any *bonâ fide* holder thereof there is affixed thereto an adhesive stamp not duly cancelled, it shall be competent for such holder to cancel such stamp as if he were the person by whom it was affixed, and upon his so doing such bill or note shall be deemed duly stamped, and as valid and available as if the stamp had been duly cancelled by the person by whom it was affixed.

(4.) But neither of the foregoing provisoes is to relieve any person from any penalty incurred by him for not cancelling any adhesive stamp.

52. A bill of exchange or promissory note purporting to be drawn or made out of the United Kingdom is, for the purposes of this Act, to be deemed to have been so drawn or made, although it may in fact have been drawn or made within the United Kingdom.

53. (1.) Where a bill of exchange or promissory note has been written on material bearing an impressed stamp of sufficient amount but of improper denomination, it may be stamped with the proper stamp on payment of the duty, and a penalty of forty shillings if the bill or note be not then payable according to its tenor, and of ten pounds if the same be so payable.

(2.) Except as aforesaid, no bill of exchange or promissory note shall be stamped with an impressed stamp after the execution thereof.

54. (1.) Every person who issues, indorses, transfers, negotiates, presents for payment, or pays any bill of

exchange or promissory note liable to duty and not being duly stamped shall forfeit the sum of ten pounds, and the person who takes or receives from any other person any such bill or note not being duly stamped either in payment or as a security, or by purchase or otherwise, shall not be entitled to recover thereon, or to make the same available for any purpose whatever.

(2.) Provided that if any bill of exchange for the payment of money on demand, liable only to the duty of one penny, is presented for payment unstamped, the person to whom it is so presented may affix thereto a proper adhesive stamp, and cancel the same, as if he had been the drawer of the bill, and may, upon so doing, pay the sum in the said bill mentioned, and charge the duty in account against the person by whom the bill was drawn, or deduct such duty from the said sum, and such bill is, so far as respects the duty, to be deemed good and valid.

(3.) But the foregoing proviso is not to relieve any person from any penalty he may have incurred in relation to such bill.

55. When a bill of exchange is drawn in a set according to the custom of merchants, and one of the set is duly stamped, the other or others of the set shall, unless issued or in some manner negotiated apart from such duly stamped bill, be exempt from duty; and upon proof of the loss or destruction of a duly stamped bill forming one of a set, any other bill of the set which has not been issued or in any manner negotiated apart from such lost or destroyed bill may, although unstamped, be admitted in evidence to prove the contents of such lost or destroyed bill."

12. *Indorsements.*

An indorsement should always appear at the back of the instrument. Payment of a bill or note, however, need not be refused on account of the indorsement appearing on the face, as it has the same effect legally. An indorsement is a conditional contract on the part of the indorser to pay the immediate or any succeeding indorsee, in case

of the acceptor's or maker's default. On indorsing a bill or note to another person, care should be taken to spell the indorsee's name correctly, as much unnecessary delay occurs in business for want of this precaution, it being presumed that it is not the person intended when the spelling of the name differs. The mis-spelling of an indorsement does not necessarily avoid the instrument. A payee indorsing a bill not negotiable is liable to his indorsee; for each indorser takes the place as it were of a new drawer. It seems, however, that the bill not being negotiable, destroys the stamp, and the indorsee cannot acquire a right without a new stamp, which is contrary to law. The indorsement of a note—whether negotiable or not—by a person to whom it has not been transferred, does not render him liable on his indorsement; for though each indorser of a bill may be treated as a new drawer or maker, and in that capacity requires notice of dishonour, yet the indorser of a note cannot, without altering his situation for the worse, be treated as the drawer or maker of the *note,* as he thereby loses his right to notice of dishonour. A bill payable to order cannot be transferred without indorsement. An indorsement may be either special or blank; the former is when the indorser indorses the instrument to another person, who must affix his signature if it be intended further to negotiate it, or to receive the contents at maturity; the latter, when the indorser merely signs his name, after which it payable to bearer. No particular form of words is necessary to constitute an indorsement. If the number of indorsements exceed the limit of paper an additional slip may be attached, which becomes part of the instrument, and requires no further stamp. The French call this additional slip an *allonge.* If two persons are made payees of a bill, not being partners, they must both indorse. Neither an indorsement nor an acceptance is complete before delivery; giving in charge to a servant would not be considered a legal transfer of the property, but to a postman it would. It has been held that if there be a written, or even verbal agreement between a first indorser and his immediate

indorsee, that the indorsee shall not sue the indorser, but the acceptor only, it would be a good defence on the part of the indorser in the event of such agreement being broken; it would be unadvisable however, under any circumstances, to have only parole evidence of such an agreement. A transfer by indorsement gives a right of action to the indorsee against all persons whose names appear on the bill, in case of default of acceptance or payment. If a payee transfer a bill without indorsing, the holder has no remedy in his own name against any one but the person from whom he received it; but if it can be shown that the bill was delivered purposely without being indorsed, when it was intended that it should be indorsed, an action may be maintained against the endorsee or his personal representatives by a bill in equity, to obtain indorsement. A person making a trustee the depository of a bill of exchange to be used for certain purposes, should show in the indorsement to what purpose it was to be applied, which is termed a 'restrictive indorsement.' The transferor of a bill payable to bearer, and consequently without indorsement, does not become liable in the event of the instrument being dishonoured, as it is held to be a *bonâ fide* sale *primâ facie*, carrying no evidence of antecedent parties. All documents payable to bearer circulate as cash. An indorsement may be made before the bill is drawn, in which case the indorser renders himself liable for any amount within the stamp. A promissory note, payable on demand, is not considered overdue, nor can any interest be recovered on it unless there is some evidence upon it of its having been presented and refused payment. As we have before stated, it may be endorsed from hand to hand as a continuing security. It is held that if a bill be paid before it is due, it may be indorsed over, and remain a valid security in the hands of a *bonâ fide* indorsee, but a bill paid at maturity cannot be re-issued. The payment of a bill before it is due does not extinguish it, any more than if it were discounted. In case of partial payment at maturity, the holder cannot recover more than the balance of the acceptor. A bill or

note cannot be indorsed for part of the sum remaining due to the indorser upon it, as it would cause a plurality of actions against prior parties, and would be contrary to the custom of bankers and merchants; but if a bill or note be endorsed, or delivered for a part of the sum due upon it, and the limit is not specified on the instrument, the transferee is entitled to sue the maker or acceptor for the whole amount, and becomes the trustee of the transferer for the surplus. If a bill has been paid in part for the acceptor, or drawer by an agent, it may be indorsed for the remainder due. A release at maturity is the same as payment at maturity, and extinguishes the bill; but a premature release of a party liable on the bill, does not discharge the releasee as against an indorsee for value without notice. Where a holder has died, having only signed his name, without delivery, his executor cannot complete the indorsement by delivery. A married woman acquiring a right to a bill or note, either before or during marriage, the husband should indorse. The indorser of a note places himself in the position of a surety to the maker, and thereby renders himself liable in case the maker cannot pay. An indorser of a bill not negotiable, renders himself liable to be sued by his indorsee, the indorser being the new drawer, and by his act having deprived his indorsee of the right to sue the acceptor or maker. An indorser may, however, enter into an agreement with his indorsee not to hold him liable, in which case the indorsee cannot sue; but a subsequent indorsee, unless having had due notice of the agreement, may sue. The holder of a bill cancelling an indorsement intentionally, discharges the indorser. A person having twice indorsed the same bill, cannot, as a rule, sue the intermediate indorsers. If a man commit a breach of trust by indorsing to a third person a bill indorsed to him for a particular purpose, the indorsee, cognizant of the breach of trust, cannot sue the real owner of the bill; but, on the contrary, the owner may bring an action to have the bill restored. A person taking an overdue bill renders himself liable to anything that may happen in connection with the bill; being

overdue it is said to come 'disgraced' to the indorsee. A drawer or indorser taking up a bill at maturity, may, by indorsing it to another person, transfer the right to sue on the bill. The person having possession of a note, part of which has been already paid, can only indorse for the balance.

Indorsement by executors or administrators answers the same purpose as an indorsement by the deceased.

13. *Bankruptcy of Acceptor.*

When an acceptor becomes bankrupt, the holder can claim a dividend under the commission; for, on being made bankrupt, the acceptor is discharged by the law. Upon the same principle, the acceptor, being discharged at the suit of the indorsee, under the Insolvent Act, the indorsee has his remedy against the drawer. Where the holder agrees to a composition, the indorsers are discharged.

14. *Statute of Limitation as affecting Bills of Exchange.*

The Statute of Limitation does not destroy the debt, but only bars the remedy. The period beyond which no action can be brought is six years. As regards bills of exchange, the limitation dates from the time the bill falls due. When a bill is on demand, it is supposed to be payable immediately; therefore, the statute runs from the date of the instrument. If the person against whom an action was brought were beyond the reach of the law—as, for instance, an infant, a person imprisoned, or out of the country, &c.—the Statute of Limitation would date from the time such person became amenable to the law. A foreign statute of limitations is no defence in an English court in an action on a foreign contract, as the statute affects the remedy and not the construction of the contract. When the holder of a bill has allowed the Statute of Limitation to run out, and transfers it, the transferee is debarred from bringing an action; for he, being the

transferee of an overdue bill, stands in no better position than the transferor. When a bill is made payable by instalments, in case of default of any one instalment, the statute dates from the first default against the whole amount. An action brought by an administrator on a bill would commence from the date the letters of administration were granted, and not from the time when the bill fell due. A note (say thirty days after sight) is not open to an action until the expiration of that period after the exhibition to the maker; but on a 'demand' note the statute would run from the date of the instrument, in the same way as with a bill.

It must be remembered that an acknowledgment will bar the Statute of Limitations; that is to say, the six years begin to run from the date of such acknowledgment.

15. *Payment.*

Payment must be made to the rightful holder, as payment to any other person does not discharge the acceptor. In the case of a banker crediting his customer with an immature bill, which on its arrival at maturity is dishonoured and not returned to the customer, the banker renders himself liable for the sum, as he not only credited his client with the amount, but gave him to understand that it was paid. There are, however, instances in which payment to a wrongful holder is protected; where, for example, a bill or note is made payable to bearer, or becomes so by an indorsement in blank, a *bonâ fide* holder may demand payment, and the payment is protected, provided there are no indications of carelessness on the part of the banker, and no circumstances to arouse suspicion; for the law, as a general rule, decrees that, when one of two innocent persons suffers at the hands of a third, the one causing the loss must sustain it. As regards bills of exchange and notes, the law in respect of forged indorsements steps in in favour of the public, and with cheques in favour of the banker. A bill or note, not payable to bearer, but transferable by indorsement—a

transfer taking place by forged indorsement, the payer is liable. A bill is not finally discharged until paid by, or on behalf of the acceptor; and a note by, or on behalf of the maker. It was held formerly that part payment by the drawer was a partial discharge to the acceptor, but it is now decided that payment by the drawer is no plea, but simply converts the holder into a trustee for the drawer, when the holder afterwards recovers of the acceptor. Payment by the drawer of an accommodation bill is a complete discharge. A bill made payable by the acceptor at his bankers, and taken up by a stranger, the stranger thereby obtaining possession, is not a payment by the acceptor. A bill paid before it is due, and afterwards negotiated by a *bonâ fide* indorsement is a valid security. It is held that payment of a bill before it is due does not extinguish, as regards the antecedent parties, any more than if it were discounted, as the difficulty of ascertaining whether an anticipated payment had been made would considerably interfere with the circulation of bills and notes. The payer of a bill can demand its delivery to him; if not paid the holder should keep possession. An agent, however, is justified, according to accepted practice, in delivering up the bill on receipt of a cheque, even though the cheque be dishonoured. The drawers or indorsers in such a case would be discharged, they having the right to insist on the delivery of the bill into their hands on payment being made by them. The customary practice among bankers is, on receipt of a cheque in payment, to attach it to the bill, so that, in case the cheque is dishonoured, the banker retains possession of the bill. Credit given to the holder of a bill by the person ultimately liable is considered equivalent to payment. When a banker makes advances on a promissory note received from a customer and is surety to cover a running balance, the note is not discharged by sums subsequently repaid and not appropriated to the discharge of the note, but it still continues as a security for the existing balance. A receipt on the back of a bill is *primâ facie* evidence of payment by the acceptor; and, on paying a bill, a receipt

can be demanded, and should always be taken. If a drawee discover on the same day that payment was made, that the bill or note was a forgery, he can, as a rule, recover the money. If a bill be paid with the understanding that the payer is to have possession of the instrument, and it is afterwards withheld, an action may be brought to retract the payment; also, an indorser may sue if he has been induced by fraud to pay a bill on behalf of the person liable. Care should be taken in paying bills to see that all is right previous to cancellation, as this is considered to extinguish the instrument. The payment of a bill to a person declared a bankrupt is unsafe, inasmuch as the bankrupt's property vests in the assignees, from whom alone a valid discharge can be obtained. If partial payment has been received from the acceptor at maturity, the holder can recover only the balance. Payment of a lost bill may be obtained by giving a satisfactory indemnity to the court. A renewal bill being dishonoured, an action may be brought on the original.

It was formerly held that where a bill was accepted without consideration for the accommodation of the drawer, the drawer was to be considered the principal debtor and the acceptor as his surety; and, therefore that time given to the drawer would discharge the acceptor, but time given to the acceptor would not discharge the drawer. But this distinction has since been overruled; and in Courts of Law at least the acceptor in all cases of accommodation bills, as well as others, is considered as the principal debtor, though the holder at the time of making the agreement, or even of taking the bill, knew the acceptance to have been without value. It is otherwise in equity, where the holder had notice, and the equitable doctrine is available under an equitable plea.

16. *Cases in which a Banker is justified in refusing payment of a Bill or Note.*

On being presented with a bill for payment, the first thing a banker looks to is to ascertain if he holds sufficient funds, without which, it is hardly necessary to state, the

document must be dishonoured. It is more prudent in all cases to give a banker advice of bills becoming due, without which, any informalities, &c., might give rise to suspicion, and cause injurious delay, perhaps refusal. In cases, however, where a customer is particular in providing for the proper payment of his acceptances, the banker will use his own discretion as to the refusal, as the consequences may be very serious from dishonouring a bill of exchange on account of trivial irregularities. A bill of exchange being refused, for instance, in consequence of an erroneous computation as to the due date on the part of the banker—there being sufficient funds to meet the bill, and before the *re*presentment of the bill the funds disappeared—the banker would most likely suffer in case the other parties to the instrument were to take advantage of the banker's negligence. Such an oversight would in all probability be speedily remedied without such loss to the banker; at the same time a banker renders himself liable in the same way by non-payment as by non-presentment. An insufficient stamp, as we have previously stated, makes the document illegal, and it must therefore be refused payment on that ground. Irregularity of indorsement—difference between body and figures, erasure of any vital part of the bill, any apparently subsequent addition made after acceptance to alter the purport of the instrument, an alteration of date so as to prolong the period the bill had to run, or to shorten it—would justify the banker in refusing payment, unless satisfactory explanation were offered on which he could act with safety to himself and for the welfare of his customer.

17. *Discounting Bills.*

Discounting bills—that is, placing the amount which the bills represent to the customer's credit, minus the interest—is the principal medium through which bankers employ their money, and is of itself a business with some who style themselves 'bill discounters.'* Firms trading

* The Athenians are said to have originated the method of discounting as at present practised,—that is, retaining the profits at the time of the advance.

largely on a small capital find discounting a great assistance, and in some cases are unable to do without it; but bankers are always cautious to ascertain that the paper is of a good class, before they discount to any great extent; as when the accommodation afforded is to a person of but limited capital, in the event of an adverse crisis the banker will probably suffer. A discounted bill should never be delivered to any one but the depositor of it until after maturity; as not only can a *bonâ fide* indorsee, holding it for value, sue on it for non-payment at maturity, but it affords an opportunity to any who may be so disposed, to use an eminent name for the purpose of obtaining a sum of money for a period, and then retiring the instrument before the signature of the acceptance could, by proper presentation, be verified, and the forgery detected. Also suborbinates in banking-houses, or any who may be charged with the custody of bills for presentation at maturity, should be particular in taking written instructions respecting the non-presentment of a bill or note; as a case may occur in which the holder of a bill or note may know the acceptor, and even the other parties to the instrument, to be insolvent, and afterwards, by apparent neglect to present at maturity, endeavour to throw the loss on the bank. The qualifications necessary to render a man who has adopted banking as his business, capable of presiding over the discounting department of a bank, are perhaps the most valuable he can possess, as it is in nearly all cases the principal source of profit to the bank. A man must possess keen observation, a ready memory; and should have the means of knowing when certain houses are trading beyond their capital, so as to be able to distinguish accommodation bills from *bonâ fide* documents.

18. *Indications in case of need.*

The indication 'in case of need' will usually appear in the margin of the bill or note, and signifies that the instrument is to be taken to the house of the person or persons mentioned, who will intervene for the honour of

the drawer or indorsers, as the case may be. If there be several indications 'in case of need,' application should be made to all to ascertain for whom they interfere, and the preference given to that one who will accept for honour of the prior party to the bill, calculating from the drawer.

19. *The Copy of a 'First' Bill.*

The copy of a first bill of exchange may be negotiated in the same way as a 'second;' the 'second' of exchange, however, in the absence of the 'first' is frequently accepted where the copy of a 'first' would not be by the drawee, as it does not bear the original name of the drawer. In case of delay in the arrival of a first of exchange, a copy might be accepted for the honour of the original indorsers, as they are still liable to the holder. It is the practice abroad to furnish the copy of a bill which has not been drawn in sets. A protest may in some cases be made on the copy of a bill. The person making the copy should state distinctly 'copy,' the original with so and so, and transcribe the whole bill with all the indorsements, including his own.

The depression in trade from time to time is shown by the diminished number of stamps required by the public for bills of exchange. In the financial year 1873-74 the number was 9,993,359, producing a revenue of £999,604, or nearly ten millions of bills, supplying nearly a million of revenue. In the next year, 1874-75, the number fell to 9,800,899, and the revenue to £919,309. In the year 1875-76 the number was but 9,735,566, and the tax £869,131; the number of bills decreasing by a quarter of a million in the course of two years, but the revenue not declining so much. Still, the number of bills is much above that of ten years ago, when (in the year 1865-66) there were but 8,375,893 bill stamps issued.

CHAPTER VI.

BILLS OF LADING.

In one sense a bill of lading is at common law assignable, that is to say, its indorsement assigns the property, but does not transfer the contract. Now, however, rights of action pass to the indorsee of a bill of lading.

In 18 & 19 Vict. c. 111, it is now expressly provided that every consignee and every indorsee of a bill of lading shall have transferred to him all rights of suit, and be subject to the same liabilities in respect of the goods as if the contract in the bill of lading had been made with himself. A provision also sets forth that every bill of lading shall be conclusive evidence of the shipment made. It is declared in the Act that nothing contained in the bill of lading shall prejudice or affect any right in *transitu*, or any right to claim freight against the original shipper or owner, or any liability of the consignee or indorsee, by reason or in consequence of his being such consignee or indorsee, or of his receipt of the goods, by reason or in consequence of such consignment or indorsement.

The following from 'the Stamp Act of 1870' 33 & 34 Vict. c. 97 refers to the stamps to be affixed to bills of lading.

56. (1.) A bill of lading is not to be stamped after the execution thereof.

(2.) Every person who makes or executes any bill of lading not duly stamped shall forfeit the sum of fifty pounds.

Bills of lading are so extensively employed in commerce, that a few words explanatory of their object may be found of service.

Upon a cargo being shipped, bills of lading—generally three, and sometimes four copies being made—are filled up with the name of the shipper; the name of the ship; her destination; the name of her captain; the particulars of the cargo, or such portion as these bills may apply to. The captain signs all the copies of the bills, retaining *one* himself, and handing over the remaining two or three to the shipper, who indorses them, either in blank or to the order of the persons to whom he has consigned the goods specified in the bills.

These bills of lading are, in other words, receipts given by the captain, in which he undertakes to deliver the goods in the same state as he received them—under certain exceptions, such as injury by 'fire, the elements, the king's enemies,' &c. The holders of the bills of lading produce one copy duly indorsed to the captain on the arrival of the ship at her destination; upon the receipt of which, he is bound to discharge the cargo to the person thus proving his title to the goods.

If goods be shipped by a vessel which has been hired by a charter-party, the master of the ship will deliver the bills of lading to the merchant who has chartered the ship; but when the ship is not chartered, but simply takes the goods generally as a carrier, then each person receives a bill of lading, which he forwards to the person who is to discharge the cargo on the arrival of the ship at its destination.

CHAPTER VII.

CONDITIONS ON WHICH THE LONDON JOINT-STOCK BANKS AND THE SCOTCH BANKS DO BUSINESS WITH THE PUBLIC.

SUBJOINED are the conditions upon which some of the leading London joint-stock banks engage to do business with the public.

It was our original intention to contrast the conditions of the joint-stock banks with those of the private banks, but finding that no published conditions were issued by the latter we have been obliged to confine ourselves to the two classes referred to.

Subjoined are the official rules issued for the guidance of persons keeping accounts with the Bank of England:

All letters should be addressed to the chief cashier.

The pass books should be left at the drawing office at least once a month to be written up.

It is desirable that drafts should be drawn upon cheques furnished by the bank.

Cheques upon clearing bankers should only be drawn against, on the same day they are paid in to the bank, by cheques crossed to some banker. Cheques, &c., upon all other London bankers, may be drawn against after half-past two o'clock on the following day.

Cheques on country bankers will only be credited when the proceeds have been actually received. No notice can be given of delay of payment,—any loss from which, or from theft, fraud, insolvency, or otherwise, is to be at the customer's risk.

Where post bills are required, or a payment is to be made to any office of the bank by cheque on the Bank

of England, the cheque must be presented at the office upon which it is drawn, and exchanged for an order on the Post Bill office, or on the office at which the payment is to be made.

Persons keeping their drawing accounts solely at the bank (although not having a discount account) may tender bills for discount through the Drawing office. Application for discounts, or for advances on stock, exchequer bills, &c., must be made before 2 o'clock, or before 1 o'clock on Saturdays.

Bills of exchange and Notes, not paid when due, will be noted.

Securities.—The bank will make purchases or sales of British or foreign securities upon an order in writing addressed to the chief cashier, and dividends on stock may be received under powers of Attorney granted to the cashiers of the Bank.

Exchequer bills, bonds, railway debentures or any other securities, may be deposited, and the interest, when payable in London, will be received and placed to account.

N.B.—Persons keeping accounts with the Bank are requested to make known any change of residence at the Drawing office.

We may further remark that deposits exceeding the sum of £300 are received by the Bank of England for periods of not less than one month; but no interest is allowed, and this convenience is afforded as a rule only to persons resident within the United Kingdom.

Of the London banks the following are members of the Clearing House:

Alliance Bank, Barclay & Co., Barnett & Co., Bosanquet & Co., Brown, Janson & Co., City Bank, Consolidated Bank, Dimsdale & Co., Fuller & Co., Glyn, Mills, Curries & Co., Imperial Bank, London Joint Stock Bank, London Joint Stock Bank (Southwark), London & County Bank, London & Westminster Bank, London & Westminster (Southwark), Martin, Stone & Co., Metropolitan & Provincial Bank, National Bank, National Provincial Bank of England,

Prescott & Co., Robarts & Co., Smith, Payne & Co., Union Bank of London, Williams, Deacon & Co., Willis & Co.

N.B.—Branches of these Banks are not considered Clearing Bankers, except the Southwark Branch of the London Joint Stock Bank, and the Southwark Branch of the London and Westminster Bank.

The London and Westminster Bank.—Established in the year 1834.

The capital of the bank is £10,000,000 sterling, in 100,000 shares of £100 each. The sum of £20 has been paid on each share, so that the paid-up capital is £2,000,000 sterling. The rest or surplus fund is £710,070, 6s. 0d.

Current accounts are received on the same principles as those observed by the London bankers. Every person connected with the establishment signs a declaration of secrecy as to the accounts of individuals. No Christmas boxes or other gratuities are allowed to be taken by the officers of the bank. The bank takes the agency of joint-stock banks, private bankers, and other parties residing at a distance. Strong rooms are provided for the security of deeds and other property lodged by the customers of the bank. Parties who are desirous of having current accounts, without being under the necessity of keeping a balance, are charged a small commission, proportionate to the amount of their transactions.

Sums of £10 and upwards are received on deposit at interest, and are repayable upon demand, or at seven days' notice. For these sums receipts are granted, called deposit receipts. These receipts are not transferable, nor can cheques be drawn against them. When paid, the depositor must either attend in person, or sign the printed form at the back of the receipt. If the money is withdrawn within a month, no interest is allowed. Parties may lodge money upon an interest account who have no current account, and those who have current accounts may transfer any portion of their balance to an interest account.

Cheques can only be drawn upon, and Acceptances made payable at, the office where the account is kept; and to avoid mistakes and risk it is particularly requested that customers will draw only on the cheque forms provided by the bank. It is desirable that pass books should be left at the bank at least once a fortnight, to be written up; they will then be checked, and ready for delivery on the following day after 12 o'clock, but they should always be left a few days before the last day of June and December, in order to be balanced. Bills for discount should be left with the Manager before two o'clock. All cheques, notes, or bills sent into the country or abroad for collection will be credited only upon advice of payment. No charge is made for collection, and the bank will not be responsible for any loss that may occur by delay or otherwise in transmission or collection. Cheques on country banks must be paid in before 11.30 a.m., and on Saturdays before 10.30 a.m., or they will not be forwarded the same day for collection. Circular notes of £10, £25, and £50 are issued for the use of travellers, payable in the principal towns of Europe, Asia, Africa, and North and South America. No expense whatever is incurred, and when cashed no charge is made for commission. Letters of credit are also granted upon all the chief towns and cities abroad. They may be obtained at the bank, in Lothbury, or at any of its branches.

Union Bank of London.—Regulations respecting deposits.

Sums of £10 and upwards are received on deposit at seven days' notice of withdrawal, whether by customers or the public generally, and receipts given for the sums so deposited.

Interest is allowed thereon at the current rate of the day; the bank notifying any change in the rate of interest by advertisement only, in one or more of the leading London newspapers.

If the money is withdrawn within fourteen days *from the date of deposit* no interest is allowed.

The interest is made up on the 30th June and 31st December, in each year, and is payable at any time after those dates.

The receipts are *not transferable.*

When the amount of a receipt, or any portion of it, or interest thereon is withdrawn, the receipt will be required, and if not presented by the *depositor,* it must be accompanied by his *stamped cheque.*

At the expiration of seven days' notice of withdrawal of a deposit, without the amount being withdrawn, the interest will cease, unless the depositor express his wish to continue the deposit, subject to further notice.

Remittances from the country must be in cash, or by draft on London, and the signature and address of the depositor must accompany the first deposit.

The Alliance Bank Limited.

Nominal Capital	. . . .	£2,000,000.
Paid up „	. . . . .	800,000.
Reserve „	. . . . .	200,000.

The following are the terms upon which business is transacted at this Bank.

Current Accounts.—These will be made up to the 30th June and 31st December in each year, and if the balance shall not at any time during the half-year have been below £500, interest at the rate of 2 per cent. per annum will be allowed on the minimum monthly balances. If not below £200, interest at the rate of 1 per cent. per annum will be allowed on the minimum monthly balances; but if below £200 no interest will be allowed.

The bank will not be responsible for any cheques, notes or bills, sent to country bankers for acceptance or collection, or for any delay that may arise, but will credit the amount only when received.

A commission will be charged when a remunerative balance is not kept.

Every facility afforded for the transmission of money

between London, Liverpool, and Manchester, and for the receipt and delivery of stocks, shares, &c.

It is requested that the pass books be sent to the bank as often as convenient (at least once a month,) in order that they may be made up; also that all changes in the residences of customers be communicated to the bank. The bank will not undertake to present for payment on the same day any cheques paid in after half-past three o'clock.

Deposit Accounts.—Deposits are received subject to seven days' notice of withdrawal, at the current rate of interest, notice of any change of rate being given by advertisement only.

Should a deposit not be withdrawn at the expiration of the notice of withdrawal, the interest will cease, unless the Depositor express a wish to continue the deposit, subject to further notice.

The clerks of the bank are not allowed to receive any fee or gratuity.

The Chartered Bank of India, Australia and China.—Head Office, 20, *Threadneedle Street, London.*

INCORPORATED BY ROYAL CHARTER.

Rangoon Agency.—The bank undertakes the agency of parties connected with India, makes investments for constituents in the public funds and other British and foreign securities, and receives pay, pension, dividends, &c.

Exchange.—The bank issues drafts on the city bank of London and on the head office and its agencies and branches at Bombay, Calcutta, Singapore, Hongkong and Shanghai, also negociates or collects bills payable at the above places.

The current rates for drafts on London are.

6 months' sight (not under £50) at 2-0 per Rupee
3 do. (do. £10) at 1-11$\frac{5}{8}$ do.
On demand . . . at 1-11$\frac{1}{4}$ do.

Sums for and under £10 are drawn for on demand.

The bank will transmit the first of exchange of its own bills to parties resident in England, when requested and the necessary particulars are furnished.

Interest allowed on Deposits.

Current Accounts.—On the monthly minimum balance not falling below Rs. 500 at 2 per cent. per annum.

Fixed Deposits.—At 3 months' notice at 3 per cent. per annum.

At 6 months' notice at 4 per cent. per annum.

At 12 months' notice at 5 per cent. per annum.

Commission.—On the sale or purchase of Government and other securities, ¼ per cent. on the amount realized or nvested.

The bank receives securities for safe custody, the interest or dividend thereon being credited to account or remitted to England in the bank's bills free of charge. On returning the securities ¼ per cent. charged.

On the collection of foreign bills ½ per cent.

Discounts, &c.—The bank discounts approved bills for depositors, and other constituents make advances on the hypothecation of Government and other approved securities, and transacts general banking business.

All drafts and hoondees forwarded for realization, to be made payable to "The Chartered Bank of India, Australia and China."

When a remittance is to be made to a lady, her Christian name must be given.

Any information as to rules and terms of business may be had on application at the office or by letter to the agent.

Office hours—10 A.M. to 3 P.M.

G. A. WHYTE, *Agent.*

2, Phayre Street, Rangoon.

The following information refers to the exchanges of notes, clearing houses, North-country bank notes, customs as to interest, discount, and charges of some of the Scotch banks.

Exchanges of Notes.

By agreement among the banks exchanges of notes are held in every town where two or more of the banks have branches; in every instance, once a week, on Saturday; at the larger towns, twice a week; and at Edinburgh and Glasgow, three times a week. The rules of the Exchange provide that no bank shall issue another bank's notes, that the settlement of the Glasgow and County Exchanges shall be made by draft on demand on Edinburgh, and that the general balances of the whole exchanges and clearing shall be settled at Edinburgh by draft on London, at 5/8 day's date. The Bank of Scotland and the Royal Bank of Scotland undertake the settlements each alternate month, but without incurring any responsibility.

Clearing Houses.

For demand documents are established in Aberdeen, Dundee, Glasgow, Leith, and Edinburgh. The clearings take place daily at ordinary seasons, and at the money terms of Whit-Sunday and Martinmas, twice daily. The final settlements of the exchanges and clearing are made by draft on London, at 5/8 day's date, as previously stated.

North Country Bank Notes

are retired in like manner at the local exchanges, and at the Edinburgh and Glasgow Exchanges by the banks, their agents.

Table of Interest, Discount, and Charges.

1. *Interest on money lodged.*—The rates to be fixed, from time to time, at meetings of the Banks to be held in Edinburgh.

Note.—No interest to be paid on other than regular operative accounts, unless the money has been lodged a month. Savings Banks and Friendly Societies may, according to the discretion of each Bank, be allowed ½ per cent. more, when the ordinary rate is not above 2½ per cent.

2. *Interest on advances on current accounts.*—The rates to be fixed, from time to time, at meetings of the Banks to be held in Edinburgh; but the charge on overdrafts on cash or deposit accounts may be limited to the cash account rate in special cases in which this is sanctioned by the bank in consideration of security being held or otherwise.

3. *Discount and commission on bills.*—The rates of discount to be fixed, from time to time, at meetings of the Banks to be held in Edinburgh.

The following rates of commission to be charged on Bills other than local, in addition to the discount:—

On Bills payable in Scotland, 1s. 3d. per cent. Charge on any one Bill above £600, discretionary, but not less than 7s. 6d.

On Bills payable in London, no commission.

On Bills payable in Liverpool and Manchester, 2s. per cent.

On Bills payable elsewhere in England, or in Ireland, 3s. per cent.

Note.—Days of grace to be charged.

Exempt from charge.—1. Bank of England Post Bills. 2. Bills on London not having more than four days to run, inclusive of days of grace.

On Bills payable on the Continent of Europe at "*Exchange as per endorsement.*" Discounted Bills—10s. per cent. in lieu of discount. Bills lodged 5s. per cent., in addition to charges paid out by Bank.

Charges for negotiating documents payable on demand.—On cheques and drafts on Bankers in Scotland, payable in towns at a distance exceeding 15 miles by the ordinary route. For each £25, or part of £25, up to £100, 6d.; for each additional £25, or part of £25, up to £900, 3d.; for each additional £50, or part of £50, 3d.; maximum charge, 15s.

On all other cash documents payable in towns in Scotland at a distance exceeding 15 miles by the ordinary route.—2s. 6d. per cent. commission up to £400; minimum

LIBRARY OF THE UNIVERSITY OF CALIFORNIA.

charge, 6d.; On each additional £50, or part of £50, 6d.; maximum charge, 20s.

4. *Charges for negotiating documents payable on demand.*—On cheques and drafts on bankers and on cash documents payable in town in Scotland at a distance not exceeding 15 miles by the ordinary route. For sums of £50, and under, 6d.; for sums above £50, and not above £100, 1s.; for each additional £100, or part of £100, up to £900, 6d.; for each additional £100, or part of £100, 3d.; maximum charge, 10s.

Exempt from charge.—Cheques drawn by the Bank's customers on any other office of the bank, when presented by themselves in person, or by their travellers, clerks, servants, or members of their families, but not by local agents or others; also cheques on the Free Church Sustentation Fund, issued in favour of Free Church Clergymen.

On documents payable in London, no commission.

On documents payable in Liverpool or Manchester, 2s. per cent. Minimum charge, 6d.

On documents payable elsewhere in England, or in Ireland, 3s. 6d. per cent. Minimum charge, 6d.

Note.—Cheques on English Provincial Banks, bearing a printed reference to their London agents, may, if specially desired by endorser, be cashed free of charge, and negotiated through the London County Clearing House, in place of being sent direct for presentation. This can only be done, however, on the endorser granting a letter of indemnity against risk of loss through such negotiation.

5. *Charges for granting drafts and making Transfers by advice.*—On the bank's correspondents in London. Drafts payable *on demand*:—For sums up to £600, 2s. per cent.; maximum charge, 6s.; minimum charge, 6d.

For sums above £600, 1s. per cent.

The stamp to be charged in addition, and each draft or transfer to be charged for separately.

Drafts payable at "10 *days after date*" to be charged the stamp only. When at a shorter currency, or at a

currency to cover the expense of the stamp, the difference to be reckoned at the deposit receipt rate.

Transfers by advice to be made free, if payment be postponed 13 days.

Drafts by remittance of Government Revenue to be granted at 11 days' date, free of stamp duty.

On the bank's correspondents in Liverpool and Manchester.—Drafts payable *on demand*, 2s. per cent., the purchaser paying the stamp; minimum charge 6d. Drafts *at a currency*—the same as similar drafts on London. On the bank's correspondents elsewhere in England and in Ireland, 3s. per cent. commission; the purchaser paying the stamp; minimum charge, 6d.

On the bank's head office, branches, or correspondents in Scotland, when the distance exceeds 15 miles by the ordinary route. For sums of £5 and under, 3d.; above £5 and under £50, 6d.; above £50, and not above £100, 1s.; for each additional £100, or part of £100, up to £1,400, 6d.; for each additional £100, or part of £100, 3d.; maximum charge 15s; purchaser paying the stamp.

On the bank's head office, branches, or correspondents in Scotland, when the distance does not exceed 15 miles by the ordinary route. Same rate of charge up to £600; for each additional £100, or part of £100, 3d.; maximum charge 7s. 6d; purchaser paying the stamp.

Note.—Drafts for remittance of the proceeds of bills payable in Scotland, discounted to English customers, to be subject to the full charge.

Exempt from charge.—1. Drafts on the branches purchased by collectors of revenue, as such, and remittances for religious and charitable purposes. On these the stamp alone to be charged. 2. Transfers of sums paid in by customers personally, or by their travellers, clerks, servants, or members of their families (but not by local agents or others), for their credit at another office of the Bank; the stamp to be charged when a draft is given.

6. *Other charges.*—On retiring Bills in London, 2s. 6d. per cent. with interest due. The following modified

charges may be made, at the option of each bank, in the case of customers having large transactions, viz.:—for the first £50,000 in any one year 2s. 6d. per cent.; for the second £50,000 in any one year 1s. 6d. per cent.; for the excess beyond £100,000 in any one year 1s. per cent.; chargeable at the end of the year.

On retiring Bills in Scotland: on drafts on demand against credits with London correspondents; on purchases of government or other stocks, in London; 3s. per cent. with interest due.

On Bills payable in England or Ireland recalled before maturity, 2s. 6d. per cent. Bills recalled for non-acceptance only, discretionary.

On discounted Bills or other documents, returned dishonoured, 5s. per cent. with interest due.

On acceptances by the Bank, or their London correspondents, of foreign bills, payable in London, if not exceeding three months in currency, 5s. per cent. with interest due, if secured by a lodgement of the amount in deposit receipt; 10s. per cent with interest due, if on other security.

On acceptances by the bank, or their London correspondents, of foreign bills, payable in London, if exceeding three months in currency, 5s. per cent. with interest due, if secured by a lodgement of the amount in deposit receipt; 15s. per cent. with interest due, if on other security.

On Bills or other documents lodged for collection, if paid, same commission as on similar documents discounted; if dishonoured, half as much as on similar discounted documents dishonoured.

On pay, dividends, or annuities drawn by London correspondents, except for regular customers, 2s. 6d. per cent.; minimum, 1s.; maximum, 5s.

On powers of Attorney taken out, and wills or deaths proved for transfer of stock, &c., discretionary, according to trouble, but not less than 2s. 6d. each.

Note.—Bills and other documents not having more than five days to run to be cashed by the banks with each other

without charge. The usual discount to be charged for the additional days on bills, of longer currency.

In all matters of charges, Berwick-on-Tweed to be treated as a Scotch town.

Questions as to the true meaning of any part of the scale shall be decided at meetings of the banks to be held in Edinburgh.

The earliest bank in North Britain was the Bank of Scotland, which was incorporated by charter from the Scots parliament in 1695, one year after the establishment of the Bank of England, which received its charter of incorporation on July 27th, 1694. The original capital of the Bank of Scotland was £100,000, which has been increased until it is now £1,000,000. This institution continued to be the only bank until the year 1727, when the Royal Bank of Scotland was established, to be followed in 1746 by another institution, called the British Linen Company.

The Cheque Bank Limited.

This bank, in many respects unique in its character, is of comparatively recent origin. It was founded to give greater facilities to that numerous class who make remittances by means of bank-notes, post-office orders, and postage stamps. The advantages of the Cheque Bank system are, that the cheques represent actual cash deposits, and are certain to be paid on presentation. The security for this is guaranteed by all the current funds of the bank beyond the necessary reserve of cash being deposited with the Bank of England, through whose agency they are invested in government securities.

The Cheque Bank neither pays interest on deposits, discounts bills, makes advances, nor enters into any financial transactions whatever.

It receives cash and in exchange for the same issues crossed cheques payable to order for an exactly equivalent amount. Each cheque is perforated with the maximum

amount for which it may be drawn—the amount varying from £1 to £10; but no single cheque may be drawn for *more* than £10.

Cheques may be drawn for any less sum than the maximum amount, the balance undrawn remaining to the customer's credit, and against such balances the bank issues fresh cheques. Every cheque has printed on its back the following clauses:

1. No cheque can be obtained from the Cheque Bank until the full amount stamped on its face has been paid in.

2. No cheque for any larger sum than that stamped on its face will be paid by the bank, but a cheque may be drawn for any less amount.

3. The largest amount for which any one cheque can be drawn is ten pounds.

4. The amount for which a cheque is filled up cannot be withdrawn until the cheque is presented for payment, however long it may remain in circulation.

5. The Cheque Bank deposits all moneys received by it with the Bank of England, and the other bankers in the published list.

In addition, a guarantee fund, invested in the name of trustees, must be maintained, according to the articles of association.

The cheques of the bank being all crossed are presented by bankers and cleared by transfer cheque on the Bank of England, thereby saving the clearing-house a large amount of work. The bank has already a large number of agents all over the world as well as in the United Kingdom.

The losses incurred by the London banks through the revulsion of trade in 1875 and 1876, suggested to many boards of directors a revision of the terms upon which they had hitherto done business with the public. We have already referred to the decision of some banks to discontinue the practice of allowing interest on the minimum monthly balances, and to the modification in their systems both as regards deposit and current accounts adopted by

others. Another reform was initiated by the London and County Bank towards the close of 1876 in the matter of collecting "tradesmen's cash orders." It has been the custom with tradesmen for a long time past to make use of the banks to collect the orders on demand of the wholesale houses on their retail customers. Besides saving the former a good deal of trouble and expense this expedient enables the wholesale traders to exercise a kind of inquisitorial influence over those who had become indebted to them. It is at all times more or less damaging to the credit of a house to have to refuse, for any reason, payment of an order for money presented through a bank. The wholesale houses, perceiving the leverage this trick gave them, had greatly extended the system, but the degree to which the privilege has been abused has led to its being ultimately withdrawn altogether. Following the lead of the London and County Bank the bankers of Sheffield issued the following notice to their correspondents, which will doubtless find imitators in other quarters:

"The Sheffield bankers have for some time past had their attention directed to the great increase in the number of orders on demand remitted to them for collection, drawn upon tradesmen.

"This system of remittance constitutes bankers mere debt collectors.

"In the larger towns it incurs a great deal of expensive porterage, in addition to considerable and obvious risks.

"The Sheffield banks have therefore unitedly come to the conclusion to decline receiving such orders from their customers, except under very special circumstances, and to make an extra charge upon all tradesmen's orders which may be remitted to them for collection by bankers in other towns.

"A minimum charge of 1s. will be made upon each order, in addition to the usual commission.

"Extra porterage will be charged on those payable in surburban districts.

They hope by this arrangement to do away with, or to check, the circulation of such orders."

CHAPTER VIII.

BANK MANAGEMENT.

Every element of which matter is composed possesses some virtue; every individual has some good qualities; and every nation is known for some excellence or special aptitude. The world silently, but surely, judges of the value of the virtues in matter, of the qualities of individuals, and of the precision manifested by each nation in the department in which it excels, and labels them accordingly.

Frenchmen have a much clearer perception than other nations of what is necessary to transform an ugly design into one that is beautiful; but the capacity is of the superficial order. Penetrate and the design will very often be discovered to rest on a flimsy carelessly manufactured understructure, which will probably have fallen to pieces before the outside colouring has faded.

With the English workman it is precisely the opposite; the outside is probably more or less unsightly, but underneath there are bars of iron, polished and constructed to last a quarter of a century. Each individual and each nation makes a mark according to the precision shown in the work. If the covering be gauche and ill-selected, so long as the work be of a true and lasting worth, it tells at once, and although less engaging to the eye than what is false yet beautiful, asserts a higher claim which cannot be refused to what is sound and pure.

Precision is as necessary to ensure success in business as in art, and whether noticed in the same degree in the conduct of large establishments like banks its absence tells as surely, though in a different way, as in the case of the

painter who falls in public estimation when his hand no longer possesses the cunning which won him fame.

We fear that the spread of the joint-stock system of conducting the banking business of the country, and in fact all other business has been developed at the expense of the precision for which during the greater part of this century Englishmen have been so famous in the world. We do not advance this opinion without due consideration of the importance of such a statement, and we repeat emphatically that it is our conviction that, although in many respects much good has been done by the facilities afforded by the joint-stock limited liability legislation, that good has been purchased at the expense of precision in a very large number of cases where the transformation from private firms to companies has been made. Years ago when this portentous change was being introduced into the business world people theorized unfavorably to the innovation, and grave fears were entertained of the consequences of so great and far reaching a reform; but there was nothing to do but to wait and see what would be the result of the joint-stock system of trading in actual practice. We have had some dozen years or more of it, and the question we have to ask ourselves as a nation is, do the men who are at the head of the joint-stock companies manage them as well as the partners formerly managed their great firms? Is there the same precision shown in the conduct of our mercantile affairs, in the management of our joint-stock banks, of our joint-stock iron, coal, shipping, and other companies as was shown before the formation of companies upon this principle was allowed by law?

This subject divides itself under two heads:

I. Organization.

II. Business.

I. *Organization.*

It was evident when the first joint-stock partnership Act was passed by Parliament that there would be much larger associations of traders than had ever existed before,

and that the element of organization was one to which the greatest possible attention must be given, if the shoals and quicksands which beset the path of the banker or trader were to be as successfully avoided in the future as in the past. It has not been observed perhaps as closely as might have been expected to what a large extent the formation of joint-stock companies has been the means of absorbing the cleverest people from an active thinking business life into an inactive unthinking business life. Everybody nowadays has some shares in something or other, and the larger their passive interest becomes, in an inverse ratio diminishes their active interest. Many private banking and mercantile firms on the introduction of the joint-stock system realised the importance of considering their position, and whether in the new order of things they would be able to hold their own, with the result in a large number of cases of retirement from business altogether or amalgamation with other houses under the new law.

In all places where the new system was extensively adopted the banks which refused to submit to the new order of things and permit their business to leave them for the joint-stock banks, had no alternative but to invite others to join them, in order that their establishments, as regards size, should not superficially seem to entitle them to less confidence. In this way several private banks by supporting each other managed to survive, and we believe retain some of the qualities, such as the greater precision in the management which in the nature of things could not be expected to keep so firm a hold on institutions whose managers had less interest in the result.

It is quite evident that in so great a transformation, and in circumstances of so extensive a readjustment of the machinery by which the commerce of the country was in future to be carried on that a number of persons would take advantage of so great an opportunity to benefit themselves at the expense of the public. Companies innumerable have been formed and started for the

sole object of giving their promoters a sum of money, after which their interest in them ceased, and even in some cases the interests of the unfortunate subscribers became the prey of incapable employés, whose interest in the concern was proportioned to the salary paid them. We revert to these circumstances in passing to illustrate the danger with which the general interests of the community were beset during such a period of transition. The various changes that have been made in the joint-stock company law, and its imperfection as at present in force, are evidence of the facilities which its first loose provisions afforded to designing financiers and promoters, of whom there are always so many ready to fill their pockets by adapting to their purposes any set of circumstances which may chance to come uppermost.

It is quite clear in such a state of things that a decided and very serious falling away would be witnessed in the efficiency of the system upon which the business generally of the country was conducted, and that the interests of the community both at home and abroad must of necessity suffer in consequence. Where private firms, having for a number of years carried on their business under the watchful and never-tiring care of partners directly interested in the result, are merged in companies to be managed in numbers of cases by persons with less experience and skill than was possessed by those who guided the fortunes of the business previously, inferior results as regards profits will as a matter of course be obtained. We have but to cite the memorable example of the firm of Overend, Gurney and Co., whose conversion into a joint-stock company and subsequent collapse did so much harm to English credit abroad, to show how much the confidence foreigners had previously felt in the practical business qualities and high integrity of English traders, would be likely to diminish on their realising how much looser and more dangerous were the foundations of our joint-stock system.

One of the great defects as regards organisation lies in the fact that in banks, for example, it is almost impossible

to keep up a sufficient supply of well-fitted and properly qualified managers. Joint-stock banks grow and pay larger and larger dividends, and, indeed, increase their capital as a safeguard against the risks necessarily arising from the wider area of their operations; but they think it superfluous to multiply and educate the managers and departmental managers. A bank manager should have at least some commercial experience, which is only to be gained by practical experience as a trader, or in a trader's office. How can any man hold his own against the tricks of traders when he has never had any practical experience of them? One man, moreover, can only do the day's work of one man. If he is set to do the work of two, he either does everything badly and loses the money of the proprietors, or he breaks down in his efforts to keep pace with the too great calls upon his powers, and eventually dies of softening of the brain. This is not unfrequently happening in London, and is a circumstance in connection with joint-stock banking of the gravest importance.

Whatever diminishes the interest of the labourers in their work is injurious to the work. England and France have in many things shown opposite tendencies. France has been developing the system of *société en commandite* or the spreading of capital, so that little money shall be managed by many heads, while England has been collecting her floating capital into unmanageable heaps and economising the management of it to such a point that there is little exaggeration in the statement that during a large portion of their career the English joint-stock banks are in their working not very far from automatic. Every bank naturally endeavours to attract to itself clients whose drawing and discount accounts require but little looking after.

Those who use the banks for their own purposes, and have no particle of interest in its existence except for the use that can be made of it as a means to the end they have in view, prey upon it with ruthless voracity when difficulties arise and they are driven to seek any port in a storm. Yet when managers and directors are well aware

that such will be the course their clients will pursue, in nine cases out of ten in case of need, year after year new accounts are opened, fresh and little known people are trusted, the guide and index to their stability being the possession of some thousands of ready cash, which, like a dazzling sunray, is thrown between the managerial vision and the underlying difficulties which it is sought to cloak. We require no proof that such is the case, for the events of the midsummer of 1875 are sufficient confirmation of the truth of the statement. For a series of years the joint-stock banks of London had been dividing more than they had really earned, for no bank can consider its profits fully realised until every obligation to the bank has been liquidated.

What a wholesome innovation would it be if every establishment laid down a law that once a year every client upon their books who had a loan, or whose name was under discount, paid up and stood clear for a fortnight. While no such test is ever applied to anybody, who is to prevent future Collies from ringing the changes on all the banks, one after the other, each being ignorant of what is going on outside his own door? Year after year passes by, and such is the eagerness for fresh business, and such the keenness of the competition, that fresh plasters are put upon the external indications of the disease within, and the more arduous task of grappling with the disorder at its root is continually postponed. The day's work of these overgrown establishments is got through with thankfulness when no new catastrophe has occurred to add fresh evidence to that already accumulated in favour of an improvement in the organisation. How is it possible for two or even three men to preside over the affairs of a bank having say some eight to ten thousand drawing accounts and deposits to employ, varying in the total from ten to thirty millions. The successful solution of the problem lies in the subdivision of these large institutions and the appointment of an experienced and able manager to each division, as if it were a separate bank. By such a spreading of the duties and responsi-

bilities each would be able to look after the customers who kept their accounts in his department, and something definite could be known of the business ramifications of each. No bank can be successfully managed unless its clients are followed up. There should be no guess work in discounting business. A man in trade is either making money or he is losing it, and it is the first and most important business of the bank manager to find this out, and not give accommodation simply because the dealings of the client with the bank have been steadily regular, and he has kept a decent balance. The balance, in the case of a sharp man of business will obviously be steadily larger up to a certain limit, in proportion to the difficulties he has to contend with. His sheet anchor is the good word his bank will say for him, and consequently the last thing he will disturb is the foundation upon which that rests. Herein lies the *pons asinorum* of bank management.

Great catastrophes we know are now and again occuring in all departments of this world's affairs, but very often old, obsolete, slipshod systems are kept going in spite of the warnings which are thus given, because in the case of banks there is no soul among the directors or the public with sufficient energy and weight of character to risk taking the initiative in a reform which circumstances have shown to be absolutely necessary. In business concerns of every kind the management is everything. Much good has no doubt been done in developing certain industries by the introduction of the joint-stock system, and many valuable concerns have been kept going by its aid which must otherwise have ceased to exist; but making all allowance for the new impulse and virgin energy which has been generated, and taking credit for the benefits which have resulted from joint-stock enterprise, there is no doubt that there is the serious matter to be dealt with of the loss of precision in the transaction of business with the public, which arises from the improvement in the organisation not having kept pace with the growth of the business to be managed. No single individual can grasp with his intellect more than a certain

number of threads of thought. Those who possess this power more strongly than others are usually not men of business, but are people accustomed to the kind of reasoning which requires a higher atmosphere for its development, where the details so necessary to be taken account of in business are matters of secondary importance. A manager of business affairs who has too much to manage will mismanage everything. The difficulty of getting a very large office or institution reorganized upon a more workable basis is often to be found in the luxuriant ambition of people to do everything themselves. Men are difficult to deal with when it is proposed to deprive them of anything, especially of command.

II. *Business.*

The next point is, in what respect have these changes in the organization, which have resulted from the transformation of so many banks from private into joint-stock, affected the business of banking generally. There is one effect of the movement which stands out as perhaps the most dangerous of all. The reform has given a few people, comparatively speaking, the command of a great amount of the floating capital of the country, with inferior means of contending with the difficulties which beset the banker in the altered conditions under which modern banking is carried on. What is the consequence ? A looser system prevails of granting loans and discounts throughout the whole joint-stock banking community. This is no mere theoretical postulate ; we have ample proof of the truth of the assertion in the extent to which all the leading joint-stock banks were losers in 1875 by the historically famous Aberdare and Plymouth Iron Companies and Alexander Collie and Co.'s failures. The joint-stock bank is in fact, in its fullest development, as we know it, for profitably utilising the public savings, a machine which has been unequally perfected. Some parts remain undeveloped in their old proportions, and are rusty, neglected, and unable to bear the strain which is thrown upon them by the modern

improvements which have been introduced into other parts. In other words, the means of obtaining information as to the stability of houses seeking loans or discounts are, in one sense, less than in the old private banking days when the banker knew everything about his customer and exactly what business he was engaged in; while, with the joint-stock banks, there is from ten to fifty times as much money to be kept employed by salaried officers. The number of managers has not been multiplied but on the contrary diminished, while the business to be conducted has increased ten-fold in numbers of cases, and very much more in others.

It is quite possible to conceive a bank overburdened with that all important element—deposits, and the bad business that the joint-stock banks have transacted from time to time has been largely due to the weakness thus occasioned. It is obvious that for a bank to hold large amounts of deposits which it cannot profitably employ is a weakness, as the manager is always in danger of being tempted to do bad and risky business in order to avoid making a loss upon money which, when offered to him as a deposit, he does not like to refuse, for fear of diverting to his rivals in the trade that which will enable them more successfully to compete with himself. The public is naturally more disposed to trust large institutions, just as people always feel safer in going to sea in the biggest ships, and generally think big people better informed than little ones. The big banks consequently stand a much better chance of becoming bigger than small ones, and especially new small ones. Where it is a question of reposing confidence size is the attractive power; it always has been, and it always will be. As the world gets older small organizations for carrying on the business of the people who live in it are in less request and large ones in greater demand. Everything is larger in these days to meet the larger demand and the bigger ideas of modern society.

With less power to do more work what results? If we can imagine an engine driver who had too heavy a load for his machine to draw persuading the railway company

to alter the gradient so as to give him the assistance of the law of gravitation instead of furnishing another engine we should conceive approximately an illustration of the erroneous principles which have been applied to the working of some of the joint-stock banks whose business has very largely increased. Instead of paying five or at most say ten thousand a year more in salaries to extra managers money has been lost in huge amounts in the endeavour to accomplish with inadequate means the same results which the extra managers would probably have successfully achieved.

Then, again, the large amounts of deposits which the modern joint-stock bank accumulates, encourages the management to develop the business unwisely, that is, in dangerous directions. The modern bank has largely usurped the functions of the merchant without being able to see each transaction, *ab ovo,* to its successful termination. This has been largely the case with the banks having relations with the East Indies, China, &c. They may be said, in fact, almost to have run the East India merchant off the road. Having a head office at home backed by a large capital, these institutions soon commenced to cut into the commission business of the merchant, who in the old times for his credit sake would, as a rule, draw his bills on another house at home, even if he had his own people there for other purposes. To enable them to go on receiving deposits, which they were not always sure of being able to employ, loan and discount business was by degrees supplemented by acceptance business, which is a very fascinating way of making money for a bank. Like the brightest and most gorgeous flowers which are nourished in the most poisonous swamps, and lure on him who would cull them to the perils of the underlying *anguis in herba,* the fascination for the banker of the commission on the acceptance leads him into many a financial swamp which leaves its mark on the balance sheet for the half year. The confession that this class of business is not considered to be legitimate as regards the extent to which it is practised finds expression in the

system adopted in making some of the periodical statements where one total is made of the deposits and acceptances, for reasons which are of course obvious. This acceptance business, then, is another of the evils which is the direct result of the floating capital of the country having accumulated into heaps without a corresponding accumulation of skill to manage it. What does it lead to? The forcing of funds into the smaller patrician trade channels for employment, thus giving a monopoly to the big houses of certain branches of business to the discouragement of the energy and effort which a greater distribution of the loanable funds would call forth from houses whose name carries less weight in the discount market. We may be quite sure that where a bank has only one manager to manage everything, he will lend to a much smaller circle of merchants than several joint managers would. One brain cannot contain more than a limited amount of information, and the attempt persistently to register on the memory more than can be surely and readily reproduced, results in the whole tablet becoming blurred and ultimately useless.

It will be said, according to our theory large and powerful firms are more and more monopolising the trade of the world and making it less possible for small houses to exist and new ones to start. In reply we must remark that there is a great difference between perfectly sound well-established houses of second-rate standing and the small fry who have sought to compete in the business arena without sufficient capital and a full appreciation of the conditions on which success in these more difficult modern times depends. The firm of Alexander Collie & Co., although insolvent, was trusted for years with millions by reason of the ring which, in his astuteness, he managed to preserve in his name in spite of the alloy he had himself infused into it, while houses less well known tried in vain to pass the limit of credit prescribed for them in the money market.

We seem, therefore, to be driven towards the conclusion that if the banks are to avoid being used in the way

Collie used them they must either establish some system by which each can know something of what the other is doing, or that the joint-stock institutions must become still larger by absorbing each other, with improved methods of management. If it were possible for the Bank of England to buy up all the other banks in London, and the best managerial talent with them, and form a sort of council for discount and loan purposes, the door would be effectually closed to such financial strategists as Collie. The fatal mistake the banker makes is keeping to himself the extent to which he gives his customers credit. As it is his business to lend, the more he is able to lend profitably the better he thinks he is off, and hence the reluctance to let others know what he is doing for fear some of the business may be taken away.

Bad debts must be incurred in all business where credit is involved, and as so large a portion of a banker's business consists of giving credit against the security merely of names without being able with any certainty to gauge the worth of the real tangible property that is behind, it is clear that a banker's business must be classed among the most risky of all, and demands quite exceptional skill and experience in those who manage it. One would think in such circumstances every banker would be glad to form one of a society for mutual protection. Instead, however, of any of them being anxious to band together for such a purpose, they look jealously at each other across their several frontiers like hostile tribes, only giving general information regarding the respectability of individuals at the request of a client from time to time. No merchant or trader who is in a sound respectable position cares if inquiries are made about him of his banker, for the great question in such matters, after all, is that of character. It is the man with a crooked history who objects to open its pages for public inspection.

We entertain no doubt whatever that if some system is not devised whereby bankers can protect each other against fraudulent traders the disasters of 1875 will recur after a

return of prosperity again causes the thick undergrowth of commerce to spring up and afford shelter to those who will save themselves at any cost and at anybody's expense when unable otherwise to extricate themselves from financial difficulties. At present it is, to a large extent, a system of groping in the dark. Those who grant loans and discount bills keep in some cases excellent records of the standing of firms and of the changes that take place from time to time in their constitution; but as regards most of our joint-stock banks it is extremely up-hill work, and brings a number of those engaged in the business to untimely graves.

When all has been said, bank management is summed up in this—It is a question of names. With a horse-dealer it is a question of being able to judge of horseflesh; with a butcher it is a question of oxen and sheep; with a corn merchant, a hop merchant, and the endless variety of dealers in the products of the world, successful trading is alone possible where the traders understand the articles in which they deal. A banker deals with money, but he is not concerned to know the quality of that; the quality of money will take care of itself, but he must know the quality of those to whom he is going to lend it. To know people, therefore, is the knowledge which he requires above everything else. And he must always be knowing the changes in their condition, so far as he can get to know it. Every name he has to do business with must be written large on a card, and the cards should be kept sorted in drawers in alphabetical order, so that they can be easily taken out and addenda made as information *pro* or *con.* may reach him, or be obtained by direct inquiry. If this is not constantly looked after with searching accuracy things are sure to go wrong.

Some banks are always in the van regarding *failures*, and have got out before the crash; others are always behind, and are the best customers to the accountants, or financial tugs, whose useful office it is to try and get firms afloat which have run aground.

The following contrasted results of banking in Scotland, London, and Provincial England, are taken from the published balance-sheets of the banks, and form a paper handed in by Mr. Gairdner on the 10th May, 1875, to the select committee of the House of Commons on banks of issue :

"This statement as regards the returns of eleven Scottish joint-stock banks, and eleven London joint-stock banks, is made up from the annual *résumé* of the 'Economist' newspaper. As regards the English provincial joint-stock banks, it embraces the return of ten banks of issue and eleven banks without issue, being all the provincial banks whose liabilities exceed £1,500,000 and whose balance-sheets appear to be published.

"1. Per-centage of capital and reserved profits to cash deposits :

	Capital alone.	Capital and Reserved Profits together.
	Per cent.	Per cent.
11 Scottish banks	12·4 ...	17·8
11 London joint-stock banks . .	9·5 ...	12·8
10 English provincial banks of issue .	13·4 ...	19·6
11 English provincial banks without issue	10·1 ...	14·7
21 English provincial banks aggregated	11· ...	16·1

"2. Per-centage of net business profits (after payment of expenses, bad debts, and charging interest on capital and reserved profits at 4 per cent. per annum) to capital paid up :

	Per cent. £ s. d.
11 Scottish banks in 1873 . . .	8 15 0
Ditto 1874 . . .	8 19 6
11 London joint-stock banks, 1873 . .	13 5 0
Ditto ditto 1874 . .	11 1 10
10 English provincial banks of issue, 1874 .	14 13 4
11 Ditto ditto without issue, 1874 .	15 2 7
Aggregrate of 21 English provincial banks .	14 19 5

"3. Per-centage of net business profits to cash deposits :

	Per cent. £ s. d.
11 Scottish banks in 1873	1 1 11
Ditto 1874	1 1 11
11 London joint-stock banks in 1873 . .	1 6 3
Ditto ditto 1874 . .	1 1 3
10 English provincial banks of issue . .	1 19 4
11 Ditto ditto without issue . .	1 10 9
Aggregate of 21 English provincial banks .	1 13 2

"4. Per-centage of net business profits to total liabilities :

	Per cent. £ s. d.
11 Scottish banks in 1873	0 18 6
Ditto 1874	0 18 11
11 London Joint-stock banks in 1873 . .	1 1 0
Ditto ditto 1874 . .	0 18 7
10 English provincial banks of issue . .	1 18 5
11 Ditto ditto without issue .	1 9 9
Aggregate of 21 English provincial banks .	1 12 2

"Estimate of loss that would accrue to people of Scotland by adoption of English margin of banking profit.

"(*a*) Calculation based on the margin of profit earned by banks of issue on their cash deposits :

	£ s. d.
Margin of 10 English provincial banks of issue	1 19 4
Margin of 11 Scottish ditto ditto	1 1 11
Difference	0 17 5

"This difference applied to the deposits amounting to £77,000,000, gives an estimated loss of £670,000 per annum.

"(*b.*) Calculation based on the margin of profit earned by banks of issue on their total liabilities :

	£ s. d.
Margin of 10 English provincial banks of issue	1 18 5
Margin of 11 Scottish ditto ditto	0 18 11
Difference	0 19 6

"This difference applied to the total liabilities amounting to £91,000,000, would give a loss of £880,000 per annum.

"Estimate of gain to people of provincial England, by adoption of Scottish margin of banking profit.

"The cash deposits of provincial England are assumed on the basis of Mr. Palgrave's very moderate estimates to be £200,000,000.

"The margin of profit on 21 English provincial banks (10 with issue, and 11 without issue), whose aggregate liabilities on deposits are £78,000,000, is £1 13s. 2d. per cent.

	Per cent. £ s. d.
The margin of profit of the 11 Scottish banks is	1 1 11
Difference	0 11 3

"This difference applied to the assumed amount of £200,000,000 of deposit, would give a gain of £1,125,000 per annum."

CHAPTER IX.

DISCOUNT AND LOAN BUSINESS.

The current rate of discount charged for the negotiation of mercantile bills, and the rate of interest demanded by lenders generally for loans or advances against the security of bills of exchange or public or private securities, are matters in which all men of business are interested in proportion to the extent of their engagements in commercial affairs. This being the case it stands to reason that the laws of supply and demand as affecting loans and discounts will be automatically administered under the influence of those opposing forces when allowed free play, with a vigour that will, particularly in large markets where "cornering" is impracticable, leave nothing to be desired even by the most ardent advocate of free trade. It is impossible that all concerned either in borrowing or lending can have justice done them when they go into the open market to deal in money, unless that dealing is, as far as it possibly can be, free from every kind of trammel or hindrance to a just balance being struck between the supply and the demand for loans and discounts. The condition of the money market reflects that of commerce. If the business and trade of a country has been wound up to a high pitch of activity all the little rivulets of demand which meet at the various minor centres and form large streams will contribute to swell the total volume; and according to the fluctuations from hour to hour during the business portion of the day, the rise or fall in the value of money will be determined in proportion as the demand overtakes or falls short of

the available supply. To analyze the infinite number of influences which can affect both of these opposing forces, with a view to bringing them systematically under any kind of control, is so entirely impossible, that the only safe course to pursue for either governments, chambers of commerce, committees of bankers, or any other combination that may be devised with the object of bringing money dealing under any set of arbitrary rules, is to seek to remove every kind of artificial restriction and allow supply and demand free play. When it is considered that in every large monetary centre there are numbers of the most experienced and thoughtful financial calculators ever on the watch to shave off the merest insinuation of a profit shown by a movement in either direction, and are sometimes even clever enough to gain something by anticipating the germination of a change of which they perceive sufficient indications, there is no room for doubt that the only safe course is to pit the intelligence of the one side against that of the other, and for makers of artificial laws to stand on one side.

The supply of money in a large mercantile centre ebbs and flows from the opening to the close of business like a tide. The influences which affect the increase or decrease in both the demand and supply are no longer confined to a particular radius immediately outside that centre. An electric flash from Bombay, Shanghai, or New York plays a part in these times in the same way that telegraphic advices from the various continental centres did a few years ago. The pecuniary pulses of the great money dealers is being felt all day long to ascertain which way they are. In the morning it will be ascertained that certain banks are not letting out the money it was thought the night before could be obtained from them; the circumstance is immediately felt over the whole market, and others either hold their funds or act timidly until they ascertain the reason. Money will be sometimes generally scarce all of a sudden some morning, and an impression will gain strength for an hour or two that there is going to be some hardness, as it is called, in

the rates, when ease again prevails on it being known that the momentary tendency towards tightness was due to a large sum of money changing hands, or being collected for dividend purposes. All monetary centres are exposed to the sudden opening of the masked batteries of a hidden, but long accumulating demand, which when it unexpectedly shows itself draws attention to a condition of things which had not been expected, and some perturbation is the result. The gradual diminution of the available supply of money in a market will be less observed when trade is dull and business generally quiet, and lenders in their anxiety to employ their funds will work on under such circumstances, oblivious of a gathering influence which will one day show itself and find them quite unprepared for a change which will be as sudden as it was unexpected.

Every business has in one way or another its runners, or go-betweens. The runners in the money market are the bill-brokers. For a fractional commission this fraternity ties the knot between borrower and lender. They go to the merchant and bid for his bills, incurring very often a risk which sometimes results in a rather serious loss, but which, on the other hand, may lead to their gaining a handsome profit. When the market is falling the broker is particularly anxious to get bills from the merchant, as he can the more easily place them with the banks to his own advantage. In a falling market a bank-manager desires to get out as much as he can of his surplus funds, and encourages the bill broker to fill up his portfolio with bills as fast as he likes. When the broker's great chance comes he is, however, met with some reluctance on the part of the merchant to negotiate his paper, as the morrow may see him in a position to do it on lower terms. In a rising market the broker fears to be caught with any considerable amount of bills, as he may be compelled to place them with the banks at rates which leave him a loss on the business. He therefore contents himself with a smaller profit and passes on the bills he gets without delay. Although the term "the value of

money" is used commonly as meaning the rate of interest it has two significations, one applying to the commodity itself, and the other to the variation in the medium of exchange in which value is estimated. The demand for money, the commodity, may be said to be regulated entirely by its value, and the value by the quantity in existence. The value of money, used as it so generally is in the sense of the price of loans or the rate of discount, is regulated by the demand for loans or discount in relation to the supply.

We cannot do better than repeat Ricardo's words on the subject. "Money, from its being a commodity obtained from a foreign country, from its being the general medium of exchange between all civilised countries, and from its being also distributed among those countries in proportions which are ever changing with every improvement in commerce and machinery, and with every increasing difficulty of obtaining food and necessaries for an increasing population, is subject to incessant variations." When Lisbon and Amsterdam got the East India trade from Venice and Genoa, they also got the profits and money which were derived from it. As the centres of trade shift the money necessary to carry trade on obviously shifts too. How poor a territory will remain, however, notwithstanding a ceaseless flow of money into it, when there is no art or industry, is shown in the case of the Pope's landed possessions. The poorest of all the territories of Italy have been the Papal dominions, in spite of the flow of money to Rome for a couple of thousand years. In stating the principles which regulate exchangeable value and price, we should carefully distinguish between those variations which belong to the commodity itself, and those which are occasioned by a variation in the medium of which value is estimated or price expressed. If, for example, the value of money, the commodity, falls it will produce an effect on all prices and cause necessarily a rise in wages, because more must be given of that commodity which is the measure of the value of all others, to enable the labourer to procure the same quantity of necessaries as before. A rise in wages in such a case will not affect profits, but where they are raised by a larger portion of

the annual produce of the country being given to the labourer, profits will of necessity be lowered. The other meaning of the value of money, which is held conventionally to signify the charge for loans of the commodity, money, or whatever form of purchasing power represents it, is expressed in the term the rate of interest or the rate of discount, and is a very different thing. One individual we will say is the owner of £10,000 worth of purchasing power in more or less tangible forms. He has £1000 at the bank; £3000 in consols; £2000 in bills accepted by good banks; £2000 invested in a house: and £2000 in land. In some degree the inclination of that individual from time to time assists in influencing the money market. If he is induced, through circumstances that come to his knowledge concerning a foreign market, to draw his money out of the bank, sell his consols and his bills, and to send the money to Lyons to buy silks, or to China to purchase tea, he withdraws money from the available supply in the market. The £1000 from his own bank is gone, the £2000 from the bank of the purchaser of his consols, and the £2000 from the funds of the house which discounted his bills. If the whole available supply of money in the market is, we will assume, £5,000,000 at a particular time, and a great number of other individuals or firms withdraw the proportions of it they own in a similar way it is obvious the total fund must gradually diminish, and as it does so the difficulty of granting loans will increase and the charge rise. Sometimes money flows into a market faster than it flows out; and then, of course, there being plenty for all requirements the terms upon which accommodation can be granted fall. According to the degree of general confidence which prevails regarding both political and commercial affairs will it be difficult or easy to negociate securities of all kinds, and will the charge for loans or discounts be high or low. Such is the singular power of sympathy in spreading through a whole community an inclination to swim with a stream whichever way it sets, that what we call inflation in the various markets will grow and gather strength like a huge fungus

before those whose individual efforts are engaged in promoting it have realised the probable consequences of the movement. Even the most astute among bankers are drawn into the vortex of speculation which may be developed in this or that branch of trade without having any idea of the risk they are running, or of the danger to which their general position is exposed by encouraging gambling in trade, until they have themselves to pay the bills which were created to obtain impossible profits. Money thus withdrawn from the available supply exercises a doubly injurious effect upon the market. The banker in the first place loses other people's money, for the use of which he is paying; causes the trader who speculates within legitimate limits to pay an excessive rate for his accommodation; brings a loss upon the seller of the goods sold to the gambler; spoils the market where the goods are sent for sale; is instrumental in inflating the freight market; encourages the creation of new insurance companies, and stimulates an unsound demand for all kinds of commodities which are required to support the labour necessary for the conduct of new business which would never have been originated if the banker had been better informed as to the position and prospects of the person whose paper he negociated.

It is not difficult to understand that the available supply of money can by such operations be not only withdrawn from the market, but to a large extent entirely lost. In the meantime the importation and consumption of luxuries is artificially stimulated, whereby more money has to be sent abroad at a time when its market value is necessarily rising. It is nothing more than the old familiar process by which we get for a time high discount rates, rendered often extreme by those whose business it is to afford pecuniary assistance to trade requiring help themselves in consequence of their ill-judged operations. Overtrading, in a word, exhausts the available means for carrying all trade on, and raises for the time its value; while the antithesis of overtrading, or stagnation which follows it throws floating capital out of employment, and, increasing in volume with

returning confidence, it naturally falls by degrees to the extreme point of cheapness.

Annexed are the Bank of England Rates of Discount from 1694, the year of its foundation, to the date of the publication of this work:

1694.—August	8	.....	6
„	30	.....	4½
Oct.	24	.....	6
1695.—Jan.	16	.....	6
„	„	.....	4½*
„	„	.....	3*
May	19	.....	3
1704.—Feb.	28	.....	4*
„	„	.....	5*
1710.—June	22	.....	5
1716.—July	26	.....	4
1719.—April	30	.....	5
1720.—Oct.	27	.....	5
1722.—Aug.	23	.....	4
1742.—Oct.	18	.....	5*
„	„	.....	4*
1745.—Dec.	12	.....	5
1746.—May	1	.....	4*
„	„	.....	5*
1773.—May	13	.....	5
1822.—June	20	.....	4
1825.—Dec.	13	.....	5
1827.—July	5	.....	4
1836.—July	21	.....	4½
Sep.	1	.....	5
1838.—Feb.	15	.....	4
1839.—May	16	.....	5
June	20	.....	5½
Aug.	1	.....	6
1840.—Jan.	23	.....	5
Oct.	15	.....	5
1841.—June	3	.....	5
1842.—April	7	.....	4
1844.—Sep.	5	.....	2½*
„	„	.....	3*
1845.—March	13	.....	2½
Oct.	16	.....	3
Nov.	6	.....	3½
1846.—Aug.	27	.....	3
1847.—Jan.	14	.....	3½
„	21	.....	4
April	8	.....	5
„	15	.....	5
Aug.	5	.....	5½
From this period down to the date when the next change was made the rates varied according to the currency of the bills.			
Oct.	25	.....	8
Nov.	27	.....	7
Dec.	2	.....	6
„	23	.....	5
1848.—Jan.	27	.....	4
June	15	.....	3½
Nov.	2	.....	3
1849.—Nov.	22	.....	2½
1850.—Dec.	26	.....	3
1852.—Jan.	1	.....	2½
April	22	.....	2
1853.—Jan.	6	.....	2½
„	20	.....	3
June	2	.....	3½
Sep.	1	.....	4
„	15	.....	4½
„	29	.....	5
1854.—May	11	.....	5½
Aug.	3	.....	5
1855.—April	5	.....	4½
May	3	.....	4
June	14	.....	3½
Sep.	6	.....	4
„	13	.....	4½
„	27	.....	5
Oct.	4	.....	5½
„	18	.....	6
„	„	.....	7
1856.—May	22	.....	6

* According to the nature of the bills.

1856.—May	29	.....	5
June	26	.....	4½
Oct.	1	.....	5
„	6	.....	6
„	„	.....	7
Nov.	13	.....	7
Dec.	4	.....	6½
„	18	.....	6
1857.—April	2	.....	6½
June	18	.....	6
July	16	.....	5½
Oct.	8	.....	6
„	12	.....	7
„	19	.....	8
Nov.	5	.....	9
„	9	.....	10
Dec.	24	.....	8
1858.—Jan.	7	.....	6
„	14	.....	5
„	28	.....	4
Feb.	4	.....	3½
„	11	.....	3
Dec.	9	.....	2½
1859.—April	28	.....	3½
May	5	.....	4½
June	2	.....	3½
„	9	.....	3
July	14	.....	2½
1860.—Jan.	19	.....	3
„	31	.....	4
March	29	.....	4½
April	12	.....	5
May	10	.....	4½
„	24	.....	4
Nov.	8	.....	4½
„	13	.....	5
„	15	.....	6
„	29	.....	5
Dec.	31	.....	6
1861.—Jan.	7	.....	7
Feb.	14	.....	8
March	21	.....	7
April	4	.....	6
„	11	.....	5
May	16	.....	6
Aug.	1	.....	5
„	15	.....	4½
1861.—Aug.	29	.....	4
Sep.	19	.....	3½
Nov.	7	.....	3
1862.—Jan.	9	.....	2½
May	22	.....	3
July	10	.....	2½
„	24	.....	2
Oct.	30	.....	3
1863.—Jan.	15	.....	4
„	28	.....	5
Feb.	19	.....	4
April	23	.....	3½
„	30	.....	3
May	16	.....	3½
„	21	.....	4
Nov.	2	.....	5
„	5	.....	6
Dec.	2	.....	7
„	3	.....	8
„	24	.....	7
1864.—Jan.	20	.....	8
Feb.	11	.....	7
„	25	.....	6
April	16	.....	7
May	2	.....	8
„	5	.....	9
„	19	.....	8
„	26	.....	7
June	16	.....	6
July	25	.....	7
Aug.	4	.....	8
Sep.	8	.....	9
Nov.	10	.....	8
„	24	.....	7
Dec.	15	.....	6
1865.—Jan.	12	.....	5½
„	26	.....	5
March	2	.....	4½
„	30	.....	4
May	4	.....	4½
„	25	.....	4
June	1	.....	3½
„	15	.....	3
July	27	.....	3½
Aug.	3	.....	4
Sep.	28	.....	4½
Oct.	2	.....	5

1865.—Oct.	5	.....	6
„	7	.....	7
Nov.	23	.....	6
Dec.	28	.....	7
1866.—Jan.	4	.....	8
Feb.	22	.....	7
March	15	.....	6
May	3	.....	7
„	8	.....	8
„	11	.....	9
„	12	.....	10
Aug.	16	.....	8
„	23	.....	7
„	30	.....	6
Sep.	6	.....	5
„	27	.....	4½
Nov.	8	.....	4
Dec.	20	.....	3½
1867.—Feb.	7	.....	3
May	30	.....	2½
July	25	.....	2
1868.—Nov.	19	.....	2½
Dec.	3	.....	3
1869.—April	1	.....	4
May	6	.....	4½
June	10	.....	4
„	24	.....	3½
July	15	.....	3
Aug.	19	.....	2½
Nov.	4	.....	3
1870.—July	21	.....	3½
„	23	.....	4
„	28	.....	5
Aug.	4	.....	6
„	11	.....	5½
„	18	.....	4½
„	25	.....	4
Sep.	1	.....	3½
„	15	.....	3
„	29	.....	2½
1871.—March	2	.....	3
April	13	.....	2½
June	15	.....	2¼
July	13	.....	2
Sep.	21	.....	3
„	28	.....	4
Oct.	7	.....	5
1871.—Nov.	16	.....	4
„	30	.....	3½
Dec.	14	.....	3
1872.—April	4	.....	3½
„	11	.....	4
May	9	.....	5
„	30	.....	4
June	13	.....	3½
„	20	.....	3
July	18	.....	3½
Sep.	18	.....	4
„	26	.....	4½
Oct.	3	.....	5
„	10	.....	6
Nov.	9	.....	7
„	28	.....	6
Dec.	12	.....	5
1873.—Jan.	9	.....	4½
„	23	.....	4
„	30	.....	3½
March	26	.....	4
May	7	.....	4½
„	10	.....	5
„	17	.....	6
June	4	.....	7
„	12	.....	6
July	10	.....	5
„	17	.....	4½
„	24	.....	4
„	31	.....	3½
Aug.	21	.....	3
Sept.	25	.....	4
„	29	.....	5
Oct.	14	.....	6
„	18	.....	7
Nov.	1	.....	8
„	7	.....	9
„	20	.....	8
„	27	.....	6
Dec.	4	.....	5
„	11	.....	4½
1874.—Jan.	8	.....	4
„	15	.....	3½
April	30	.....	4
May	28	.....	3½
June	4	.....	3
„	18	.....	2½

1874.—July	30	.....	3
Aug.	6	.....	4
„	20	.....	3½
„	27	.....	3
Oct.	15	.....	4
Nov.	16	.....	5
„	30	.....	6
1875.—Jan.	7	.....	5
„	14	.....	4
„	28	.....	3
Feb.	18	.....	3½
July	8	.....	3
1875.—July	29	.....	2½
Aug.	12	.....	2
Oct.	7	.....	2½
„	14	.....	3½
„	21	.....	4
Nov.	18	.....	3
Dec.	30	.....	4
1876.—Jan.	6	.....	5
„	27	.....	4
March	23	.....	3½
April	6	.....	3
„	20	.....	2

CHAPTER X.

CREDIT.

Credit means trust, from *creditus*, part. of *credo*. From the moment the interchange of commodities on the barter system was broken in upon by one individual not immediately giving the other what had been agreed upon that he should give in exchange for what was to be received, the credit system commenced.

Locke says credit is nothing but the expectation of money within some limited time, which is a very good definition of the word, because the trust implied involves the expectation on the part of the one trusted as well as on the part of the one who trusts. The one obtains credit on the representation that he expects money, and the one who gives credit does so because he believes in the expectations of the one trusted. Every one who has had a fair experience of life knows by a kind of instinct what is meant by trust, whether in reference to the lending of money or any other concerns. Credit can and does perform the functions of capital to an enormous extent, especially among nations where the economy of capital is highly developed; but credit can only perform those functions when capital is, or is believed to be, ready when necessary to take its place.

If the word credit be applied to any other kind of trust than that which relates to money, or any of its modern representatives which confer a purchasing power, the signification of the term cannot be altered. A breach of trust is the same in effect, although different in degree, whether it refer to the fulfilment of a monetary engage-

ment or one of any other nature. A distinct engagement to discharge a duty, of whatever kind, means the dishonour of the person who of set purpose neglects that duty, just as much as the bill is dishonoured when not paid according to agreement at maturity. It is said that we possess no exact scientific definition of the term; but this seems to us to be enough said to prevent any misunderstanding regarding the signification of it, whether used with reference to one kind of trust or another. Most words of this nature have more than one meaning and will furnish the philological analyst with work for his dissecting knife; but we stop short of making any such investigation, our object not being ratiocination, but to show what credit means in practice. We therefore proceed to examine the development of credit, giving it to be understood to start with that we intend to use the word more particularly with reference to monetary and mercantile affairs.

As we have already remarked credit commenced in commerce from the moment that there was not an instantaneous exchange of the articles proposed to be bartered. The first step in the direction of breaking through the system of barter would as a matter of course be dictated by a desire for gain. This is the mainspring of all commerce. The object of both parties to a bargain to exchange commodities, is always to gain something. Each seeks an advantage at the other's expense. The preliminary movement, before the idea of credit suggested itself would be, that an attempt on both sides would be made to over-reach the other; in other words both would try to give as little as possible in exchange for as much as possible. In this process the weak and foolish would go to the wall, as we say, and the hardest-headed traders would by degrees gravitate to the front rank of their respective orders. When Greek had met Greek and more subtle modes of deception had to be devised, the trading would overflow the boundary line which is defined by the barter system, and would enter upon a new phase, that of credit—which up to this day has been incessantly growing and developing until it has become such a com-

plex and intricately interwoven science that it may be said to permeate every civilised community from end to end. Nobody who has anything of his own, or who is old enough to engage even in the simplest affairs of life, can arrange any matter of business without realising the meaning of the word credit. If a thing is bought, no matter where, it has to be taken on trust; for there is not one in a thousand who can be perfectly satisfied beyond all doubt or question that what he buys at a shop is the full equivalent for the money paid. If a clerk is engaged to do certain work he must be trusted; if a Prime Minister forms a cabinet he is trusted by the nation. All the bills that lie in the portfolios of the banks in the United Kingdom, and in every other empire on the face of the globe are purchased in reliance on the credit of the persons whose names are written on them. The thirty millions of money that are deposited with the London and Westminster Bank are left there by the owners of the money under the full conviction of the stability of the bank. The person who takes his seat in a train, an omnibus, or a steam boat, does so trusting in the drivers of the two former, and the captain and crew of the latter to carry him safely to his destination. We make these few illustrations of the application of the word credit, as implying trust, outside the limits within which we have intended to confine ourselves, just to show that as a moral factor credit is the key-stone of the arch over which the daily business of the world passes, and without which not a ten thousandth part of what is transacted could be got through. If once credit were generally destroyed, and crumbled away, no man trusting another, there would be nothing for it but to break up society and radically reconstruct it. But for the scorching effect of publicity which withers the fair name of men who abuse the credit facilities offered to them in these modern times, the denseness of our great commercial communities of to-day might greatly endanger the development and even existence of the credit system. Men often try very hard to cheat the public by drawing them into unsound enter-

prises, and when successful go into hiding for a time, but each who ventures upon such dangerous ground, finds it must be done so adroitly and upon so considerable a scale to enable him to go into permanent hiding, that the harder work of winning the bread in the open road honestly comes to be recognised as the better paying of the two in the long run.

The simplest form of credit took the shape in the beginning of a mere verbal promise. Two people approached each other to deal. One, we will assume, would beg to be allowed to postpone completing the bargain by promising to hand over the commodity he had agreed to give in exchange for what he had received. Such a proposition on being acceded to by the other would involve a postponement of payment. In other words one dealer had given the other credit—had trusted to his honour to deliver at a future time, in exchange for what he had received, the commodity or commodities agreed on. It is obvious that the more such a system of dealing widens, the greater the number of deferred payments, the more difficult would it be for both sides to remember how they stood ; and that consequently in very early times credit must in the natural course of things have been confined within narrow limits or the greatest confusion and wrangling would arise. The next step would be the notching of a stick with small and large notches to indicate certain measures of commodities which were owing, upon the principle pursued at the present day in remote country villages where the " score " of the labourer for ale is recorded behind the door of the wayside inn. The introduction of names would then be suggested as affording facilities for assisting the creditor to distinguish between the accounts of his various debtors ; and that important reform would soon extend itself into a system of bills of exchange, which have been gradually developed into the instrument which forms so useful a means of preventing friction in the interchange of commodities in the present day.

Before the age of paper money, there was a hard money period, which may be said to have come into use side by

side with the growth and development of credit. Next to the instantaneous exchange of commodities, the discovery of one commodity which could be used as a convenient representative of value would naturally be hailed with delight for reasons with which all acquainted with the elements of political economy are familiar. To confer upon one commodity, so convenient and portable as gold, the power of purchasing all other commodities would at once be the means of saving a vast deal of time and labour. The introduction of the precious metals may, in fact, be called the greatest revolution so far which has been introduced to facilitate the interchange of commodities, not because the greater bulk of commodities are interchanged by their aid, because such is not the case, but because they have remained through centuries the basis upon which all credit instruments have worked; and without which, in present circumstances, credit instruments have no pivot round which to revolve.

In the early history of the barter system commodities would be exchanged by the individuals interested in the bargains coming on all occasions in contact with each other at the time of the exchange. Side by side with deferred or postponed payments would spring out another branch on the tree of development, having its origin in the gradual separation of clans or tribes. Competition in such early times would as now suggest to the instinct of those primitive traders the advantages probably to be derived from breaking new ground. The breaking off and separation of members of a tribe or clan would lead by degrees to the establishment of commercial relations between them according as one community desired the commodities cultivated and produced by another. Deferred settlement of exchange transactions would thus enter upon another stage of the complexity of the credit system, which after a certain lapse of time must be met by some agency to diminish the friction. Necessity has always had very uphill work in its capacity of parent to indispensable innovations, for it is wonderful how people will remain satisfied with old

clumsy expedients before they can be induced even to recognise the benefits to be derived from improved methods that are offered to them. From there being one community and one market, there would be a development to two or more communities, and the establishment of several markets with a multiplication of deferred payments. From this point the imagination will fill in the picture, there being no record of the precise outlines of the development that followed. Various kinds of money as we know were used, particulars of which will be found in the chapters on currency and coins, before gold, silver, and copper came to be the three which all civilised nations ultimately adopted. From this focus the paper representatives of money, which have been invented to dispense with its agency, and that we know under the designations of bills of exchange, cheques, promissory notes, bank notes, letters of credit, book credits, clearing houses, &c., spread out like the rays of the sun. All these, which are mere representatives of tangible wealth, and expedients for dispensing with its aid, the value of which is assessed in the market where they may be negotiable as the bank notes and bills of exchange are, are nothing more than the various developments of the *creditus* system. To give credit means to give purchasing power, consequently the extent of the credit that can be safely given must depend in each individual case upon the difference between what is produced and what is consumed. A farmer who can lay by £5000 a year is entitled to more credit than one who saves only £1000, other things being equal. The whole fabric of credit rests therefore upon that one factor of the surplus produce of whatever kind that is not required for consumption. The elaboration of civilisation has greatly hardened the task of those whose business it is to judge of the credit that is to be given to mercantile houses, and hence the difficulties banks and credit establishments get into. Discounting in fact in these times is for the most part guesswork, and must become more so rather than less if a radical change is not introduced into the system upon which discounting business is conducted. Credit is confidence, and an

LIBRARY OF THE UNIVERSITY OF CALIFORNIA.

element in business which is controllable only by those having the power and means of granting it. It is a question of seeing with one's own eyes. Few persons are satisfied to buy an expensive article without looking at it and handling it. To the practised purchaser a watch or a horse contains within itself the worth which is asked. A trial or an examination is all that is necessary to satisfy the purchaser that he has an equivalent for his money. The most practised bill-of-exchange buyer, who by his act of buying is only giving credit to the names written on the paper, in other words showing confidence in their ability to pay at maturity, often purchases bills that are not worth the paper they are written on without a suspicion of there being anything wrong. How is he to know? The most accurate information he ever obtains is that which announces to him the failure of a firm.

Credit may be abused in several ways:

1. By issuing paper as the representative of money to excess.

2. By making undue advances on fixed capital.

3. By making the deposits in bank the basis of too many distinct obligations.

4. By the undue multiplication of bills of exchange and documents representative of money other than bank-notes.

5. By the facilities, born of competition, afforded for purchasing all articles offered for sale without the obligation of paying for them immediately in cash.

Production may be increased largely at the same time that the floating capital which is necessary to its production is being rapidly transferred into fixed. In these circumstances production is carried on by the aid mainly of credit, which may be said to have broken its legitimate bounds. Then over-production will obviously result, consumption will largely increase as the consequence of speculative buying in response to a fictitious demand, and a revulsion in due course follows. The disastrous effects will be in proportion to the capability of all interested to bear the strain of the extreme tension which must be

experienced in the credit market before a liquidation of all obligations is completed.

Trade being impossible without capital, it is obvious that every trader from the commencement has no sooner completed a few bargains than he perceives the advantages to be derived from getting as much trust or credit as he can from every one. He buys or produces to sell again; and the more he can buy without paying for it the better is his chance of doubling, trebling, or quadrupling his profits. Starting, therefore, with the best of all purchasing powers, hard money, he would no sooner have exhausted the capabilities of that medium in forwarding his views than the development of the intangible or paper medium would suggest itself. His business from that point is to impress everybody with the belief that he is possessed of much capital, or, in other words, that he is rich. If he can persuade other capitalists that he is rich, careful, and clever, which are all in their way different sorts of capital, he will obtain credit in proportion.

Discrimination in the giving of credit by professed lenders of money is of all businesses the most difficult, harrowing, and anxious. The position of an individual who offers his name in the money market as security is never known with the accuracy which a discounter would like to know it. When once a person has incurred a variety of liabilities as a consequence of having purchased a number of different commodities, his solvency or otherwise cannot be certainly ascertained until the goods have been sold and the liabilities liquidated. When a person is given credit consequently by a discounter or a bank buying the bills offered for sale with his name upon them, together with the names of acceptors and indorsers, if any, the purchaser of the paper has to take the risk of the possible great depreciation in the value of the commodities which are referred to in the bills as the "value received." The gradual growth, therefore, of the credit system which has enabled a trader with ten thousand pounds to purchase commodities for ten times the amount has, as was certain to be

the case from the beginning, resulted in a vast quantity of commodities being nominally bought that could not be sold at a profit, but on the contrary must be sold at a loss. When the trading community has got a certain way out of its depth on paper the collapse ensues. The stage of crisis has been reached.

The establishment of institutions whose sole business is lending would, as a matter of course, be fanning the flame which produces inflation in the credit market. The Scotch banks have made their position and much of their money by selling credit, and the system has been imitated abroad. A trader either commencing business, or in want of more capital, applies to a bank who gives him so much purchasing power on the security of his own and one or two other approved names. The principle upon which banking was first started is thus reversed. Instead of keeping a balance the customer has an overdrawn account. Such a business pays extremely well in ordinary times when, on an average, one repays what another draws out. But, on the other hand, in times of great scarcity and dearness of money the bank must be very careful or serious difficulties may arise from a large number of those having such overdrawn accounts drawing out money simultaneously, while little or none is paid back. The privilege of issuing notes, which is a monopoly with the Scotch banks, enables them to work this cash-credit system more profitably than would otherwise be the case.

Our own legislators have thought it wiser on the whole to restrict the credit which note-issuing banks might otherwise enjoy, while in the case of the Bank of France the only condition imposed is that the notes shall be redeemed in legal-tender metal currency on demand. Whether this latter system be the wiser has been the subject of long and profound debate among the most experienced of English economists and financiers, the result being the existence still of the Act of 1844. The question is no doubt a very difficult one upon which to form a sound opinion because of the different methods of conducting business in England and France. For our own

part we think the restriction policy a wrong one, and we maintain that the working of the Act of 1844 proves it to be a failure. The management of the Bank of France is acknowledged on all hands to have been for many years exceedingly efficient, but we should not attribute entirely the success of the system of note issues adopted by that institution, and sanctioned by the Government, to the efficient management. The Bank of France keeps more spare metal cash idle than other European banks in proportion to its liabilities, and French people generally keep more cash in their safes than other nations, and especially more than English individual traders. Money panics arise, as every one knows, from the untimely exhaustion of cash reserves, and panics are consequently less likely to occur in France than elsewhere; and further, the question of restrictive measures as regards note issues in respect of the national bank of that country need never arise. We should not, however, be disposed to support a nonrestrictive policy in any country having a plurality of issuers, whose individual responsibility leaves the smallest room for doubt. In France the national bank is the only issuer, and being properly managed restriction is unnecessary.

The Imperial Bank of Germany goes half way as regards restriction by the innovation of a tax of 5 per cent. to be paid to the State on all issues beyond 385,000,000 of marks for the whole empire. This system, we believe, involves a fallacy, if, as we presume, it is intended that such a tax is to prevent more notes going into circulation than the bank can be sure of redeeming in gold in case of necessity. What is the use of a 5 per cent. barrier to a dangerous expansion of the note issues in a time of commercial crisis, when mercantile houses will gladly pay any rate of interest rather than not get the accommodation which is absolutely necessary to save them from failure?

On the subject of cheques M. Victor Bonnet in his book on 'Le Credit et les Banques d'Émission'—a work well worth the attention of all financiers—says, "Quant au chèque en lui-même, malgré ses avantages, il est peut-être

le moyen de crédit qui peut le moins empêcher les abus. Il donne lieu à des découverts considérables qui atteignent quelquefois des proportions effrayantes. Ainsi il n'est pas rare de voir en Angleterre et aux États-Unis des banques qui n'ont pas en réserve la dixième partie des dépôts qu'elles se sont engagées à rendre à première vue. Et cette réserve, où est-elle ?" This is preferring against a system an indictment which rests on no substantial foundation at all. The cheque system cannot reasonably be held responsible for the banks not keeping a tenth part of the deposits which they engage to repay on demand. The system of cheques has no more to do with it than have bills of exchange with causing a commercial crisis. It is the managers of the banks who are to blame for using up too large a proportion of the balances which are entrusted to their care, and for unduly hiring out their credit, and not the cheque system. M. Bonnet should be above trying to depreciate the most useful economic device discovered this century because his countrymen are unable to appreciate its inestimable merits. The jealousy which exists is unhappily a barrier in many cases to the adoption by one nation of reforms introduced by another, a conspicuous case in point being our own perverseness and stupidity in not long ago having adopted the decimal system of currency.

The commercial revulsion of 1875 in England revealed a condition of things that had been built up for the most part during the previous fifteen or twenty years. Many persons who had had experience of the effects of the crisis of 1857 and 1866 were astonished at the comparatively limited area over which the disasters of 1875 were spread. One reason was that the chief blow fell upon the banks, but that did not explain the phenomenon. We must look farther back into the past. We must go even farther back than 1857 before we get to the foundation of the fabric of England's commerce which trembled in 1876, but did not as on previous occasions break up with a sudden general crash. The crises of 1847, 1857, and 1866 brought prominently under public notice the losses

which resulted from overtrading and speculation, but the accretion of wealth which formed the solid substratum for the country's credit to rest upon was not revealed. At a time of crisis those who weather the storm remain quiet spectators in the background, silent as to the extent of their means. It is in the nature of people not to boast of their gains and wealth when they are surrounded by numbers of unfortunate persons soliciting help. The great money-making firms of England, and in fact of most other countries, keep like the large game in the thick luxuriance which is their fattening ground, and are seldom seen or heard. The effects of the overtrading of the years preceding 1875 fell upon a time when there was an unprecedented array of forces to resist the crushing effect of the commercial torrent which had burst its bounds. The bank reserves did not alone do it. There was behind that an accumulation of savings in a more solid and permanent form than had ever existed previously under similar circumstances. Apart from the non-speculative traders the more speculative members of the community were richer than ever before. Many more than ever before who were caught napping could pay their losses and keep going besides. The difference between an old rich country, and we may fairly say a young rich country, was seen by comparing the effects of the 1873 crisis in the United States with those of the revulsion in England of 1875. Long after the crisis in the United States was over the failures even at the beginning of 1876, for the first three months, were larger than during any similar period since the crash occurred. This was owing to the paucity of the capitalists, the small extent of the aggregate savings compared with the extent of the business risks incurred by the mercantile community of the United States. The English mercantile community has made for itself such a solid standing-ground during the last quarter of a century that with ordinary prudence our merchants and traders ought for the future to be able to secure themselves against a sudden collapse of prices and a temporary shrivelling-up of credit more completely than they could

ever do before. Early information is everything to people who in the nature of their business must have large obligations coming daily upon them to be paid in cash. A firm which excuses its failure on the score of the absence of remittances is in these times an object of ridicule, as there is no excuse for not knowing long before their expected arrival that what was required would not be forthcoming.

The right which any individual trader or company has at any time to ask for credit in the money market or in any other form in a commercial sense depends upon the answer which can be given to one question. The whole principle, in fact, upon which the system of credit ought to be conducted hangs upon a single thread as it were. It amounts to this, Does the applicant consume more than he produces? This one query may be expanded into a volume if we desire to penetrate into the recesses of all branches of business, and into the nature of all enterprises and businesses in which credit plays a part sooner or later; and likewise as to the varying conditions upon which so much or so little credit can be legitimately granted. An individual starting in business requires, as a rule, credit, but naturally finds it difficult to obtain unless he can show himself to be possessed of ample capital, or can satisfactorily demonstrate at once that the profits of his business more than cover all his expenses.

One of the great dangers to which banks and discount houses are exposed in their business, and especially new banks, is that they are too eager to lend, too anxious to see profits made on paper. The main consideration with the buyer of a bill, as also with the bank manager who lends money against any kind of security, is to direct all his attention, immediately the proposition is made to him, to the question of the reimbursement of the sum advanced. He should avoid above everything the possibility of his mind being preoccupied with the question of the gain upon the transaction to the exclusion of the due consideration of what demands all his attention until he is satisfied that he can entertain the business at all, namely, the question of punctual reimbursement. The interest or

commission is a secondary matter. Can we be sure that all givers of credit look sufficiently to this important part of the operation? We are forced to entertain a suspicion that the joint-stock system has rather diminished the fierceness of the managerial light which was once brought to bear upon the responsibility of the persons asking for credit in the money market. The development of the banking system has entailed, as with most other things, a coarseness in the texture of the system which allows what ought not to escape to slip through. Over a larger surface the insidious worm eats its way to the reserve more successfully than when two or three persons, having a greater interest in the result, did the work which in these more rapid times is performed by one.

The larger the quantity of the floating capital that is laid down in fixed capital, which does not at once give a return, the wider spread will be the disasters which must always ultimately ensue from the consumption greatly exceeding the production. In the case of the establishment of new companies, for instance, upon an unusual scale, not only is a large amount of floating capital fixed, but the act of fixing it causes a great increase in the consumption of many of the prime necessaries of life. It is obvious, therefore, that while those companies cannot for some time restore the floating capital withdrawn, but, besides, are the means of increasing the unproductive expenditure at a dangerous period, the vicious circle has been entered which forms the foundation upon which commercial convulsions are built up.

Among the leading axioms which should guide the managers of credit institutions, the one demanding special consideration is that which requires floating capital to be employed as much as possible on short credit. Long credits are accompanied with a sort of *ignis fatuus*—a will-o'-the-wisp—which, in the shape of high interest or bonus commission, is very apt to lead the credit-giver into the marsh in which he is discovered floundering when the time comes for him to require a quick return of his pounds. Floating capital is necessary to keep up

the production of things; if it is withdrawn and lent in too large proportions the candle is being burnt at both ends by the aid of a double draught. In the case of the transfer of floating capital into fixed, which is always accompanied by more or less of inflated credit, certain persons called promoters, in their efforts to benefit themselves in very many cases, are unconsciously benefiting the future at the expense of the present. Whether enterprises succeed or not some either positive or negative benefit is sure to be derived from them in the future. If the commercial results are nil, the community gains by the experience which is derived from a test having been applied. We have numerous instances of this all over the country. Railways and steamships that do not pay are often kept in working order for some time; and, although returning nothing, perhaps, to the original shareholders, open up and supply the means of communication between places whose industries languished for the want of such facilities. Incalculable benefits have been conferred upon millions of the lower orders in England by the Crystal Palace at Sydenham, yet it would be difficult to point to an enterprise which from first to last has been so signally unsuccessful in a commercial sense; without the liberal aid of credit that splendid building and those fairy-like grounds would never have existed. Many like examples may be found all over the world.

M. Victor Bonnet has well said when he remarks, in his book on 'Le Credit et les Banques d'Emission,' "Ce que nous venons de dire de la speculation, et de l'influence heureuse qu'elle exerce sur les rapports économiques de la société, s'applique, bien entendu, à celle qui est contenue dans des sages limites et qui s'appuie sur des ressources disponibles, et non pas à cette speculation à outrance que n'a de ressources que dans l'emprunt, et qui donne à toutes les valeurs des cours factices et exagérés. On ne peut pas trop s'appliquer à combattre celle-ci, car elle est la source de tous les troubles financiers et de toutes les crises; et le premier moyen pour la com-

battre, c'est de ne pas trop encourager les avances sur valeurs mobilières qui ne servent qu'à l'entretenir."

Some writers maintain that that which is most injurious to credit is sudden oscillations in the price asked for it and unexpected contractions. This is rather the opinion of those used to a system of credit which is not of the latest and most approved type. It may be remarked that those who require credit as a means, must take it upon the conditions to which all other marketable commodities are subject. Credit-takers have no right to depend upon being able always to obtain it to any extent they may require and at a fixed cost. Credit, like time, is money. The extent to which credit can be granted, especially in the higher commercial affairs, and the price at which it is to be obtained, must always depend upon circumstances which in their very nature are always changing, even although at times almost imperceptibly. Credit-takers must leave a margin for eventualities on the same principle as that which points out the impossibility to traders of carrying on their business successfully without capital. Operations, it is true, are engaged in conditionally upon the credit that can be obtained at any particular time; but the operator who commits himself to engagements on the basis of the available supply of credit remaining unaltered makes the same mistake as the captain who goes to sea provided only for the continuance of a fair wind.

The French economists have declaimed against the danger of banks holding such large amounts of deposits because it involves the danger of their being tempted to make undue advances on commodities. There is no doubt this temptation, just as there is the temptation to overload ships to a point at which they are sure to founder in a storm. A hundred analogies may be cited; but when all is said no valid argument is made out against banks receiving and utilising, as far as they can profitably do so, deposits which would otherwise lie idle in the pockets of the people. What the banks have to guard against, and also the merchants who rely upon being able to take back from the bank what they deposit with it, is

the need of cash which may suddenly arise when circumstances cause a contraction of credit. As far as banks play a part in the credit system of a country this is the cardinal consideration requiring their attention. The banks are seldom safe in departing from a fixed principle regarding their *unemployed* and *employed* reserves, in the first place with respect to the amount of the former to be held available, and in the second as regards the way in which the latter are to be worked. The deposit system undoubtedly gives rise to illusions as to the real extent of the available resources at a monetary centre. Growing prosperity clouds the vision until a snap occurs somewhere, when everybody runs to test the strain-bearing power of his own machinery, an examination which is frequently made too late.

Of all the forms in which credit is abused, the worst is perhaps that which comes under the head of accommodation bills, or what the French call "billets de complaisance." A bank-note, not grounded on a specific amount of legal tender metal money, which is one kind of accommodation bill, and the worst kind when not kept within proper limits, because it carries with it a greater weight of deception than a mere bill of exchange, is, when supposed to be convertible by law into gold at sight, raised above suspicion if the issuing institution itself enjoys good credit; accommodation paper of the bill of exchange type will pass into circulation within a limited area in proportion to the fluctuation in trade. Credit by this agency can be inflated to an enormous extent, and of all commercial instruments this has played the greatest part in producing a crisis which ensues from the undue extension of credit.

Credit institutions are in certain circumstances the arch-enemies of sound merchants trading with their own capital. The reason why they are is that, like all other institutions upon whose success depends the income of a number of persons, credit companies insist upon inflating credit when it should contract. When there is no profit to be made out of a trade by a trader who does the business with his own capital, it is obviously destruction to

sound steady-going merchants to have prices kept up and an artificial activity in the interchange of commodities fostered by credit companies, who lend their names and credit for the purpose of manufacturing an unreal purchasing power. To the building-up of this system of late years is due the prolonged stagnation experienced in 1876. When a crisis occurs some persons must be sacrificed; some companies must fall before things can right themselves. The multiplication of facilities for supporting rotten firms and decayed companies acts as a drag on the curative process which must be gone through before a fresh sound start can be made. There never was a period in our commercial history so prolific of financial expedients as that in which we live. Hence a commercial revulsion dies hard. The process will be slower, but experience seems to teach that although slower there will be more victims. The ill-success of the modern credit institutions is shown by the failure to realise the original anticipations in the case of any of those companies which were formed prior to the collapse of 1866. An immense amount of damage has been done through their agency, and those which survive have never ceased to be the hotbeds of speculation and wrangling between the shareholders and the successive boards of direction, which by the modern proxy device have for a time swayed their decaying fortunes.

The following is an instance of the benefits to be derived from the credit system when made legitimate use of under good and sensible management. About the year 1821 the authorities in the island of Guernsey determined to build a new meat market at a cost of £4000; but as they had not the money and objected to borrow it at a high rate of interest, they determined to issue 4000 £1 notes bearing no interest. The contractor at dates agreed upon received these notes in payment of his claim. With them he paid wages and what he owed for materials used in the construction of the building; and as these notes were sanctioned by a vote of the states who constituted the Parliament of the island, they obtained free

circulation. When the market was completed it consisted of eighty shops which let at a rental of £5 per annum yielding a revenue of £400. At the expiration of the first year notice was given that the notes numbered from 1 to 400 were to be presented for payment to the president of the states, and with the £400, the first year's rent from the shops, this first batch of notes was paid off and cancelled, being burnt in the presence of the president and the committee. In ten years all the notes were cancelled, and the authorities of the island were left in possession of the building and rental in perpetuity without its having cost one shilling to anybody.

CHAPTER XI.

THE FOREIGN EXCHANGES.

Transactions between two or more countries are settled either by specie payments or by bills of exchange; as a rule the latter are employed. The price which is paid in the money of one country for that of another is called the 'rate of exchange.' The fluctuations in the rates of exchange are caused by a great variety of circumstances, which are often unseen and unthought of by those whose daily occupation is buying and selling bills of exchange.

Our first inquiry upon entering this subject is: What gives rise to bills of exchange?

Legitimate bills of exchange are brought into existence, in by far the greatest proportion, through the necessity which different countries are under of settling their relative indebtedness incurred by the importation of each other's produce.

A corn merchant at New York ships a cargo to London, and instead of receiving gold or silver, or a cargo of English goods in return, draws a bill upon the consignee, and sells it upon the New York exchange. The purchaser of the bill has a payment to make in London for a cargo of English goods, and instead of sending gold or silver or a cargo of corn, he remits the bill to his creditor, who gets it accepted and obtains the proceeds at maturity.* It will thus be seen that at these two places, London and

* The purchaser here alluded to may also be drawn upon from London, and the bill be used in the same way by a person who has to remit a sum of money to New York. This will depend upon agreement.

New York, the price of bills must depend upon the importations and exportations. These fluctuations, however, have a limit, within which they are confined, except when influenced by abnormal and temporary causes.

If two countries are using the same standard of value a certain number of units or parts of a unit of the one coinage will contain the same quantity of 'pure metal' as an unit of the other coinage. This number is called the 'Mint Par' or the 'intrinsic par' of exchange. It is fixed by law, and, as long as the law remains the same, unalterable. Between a country with a silver standard and one with a gold standard the 'intrinsic par' cannot be fixed, but will depend upon the relative values of these metals.

If the importations and exportations between two countries balance each other, the exchanges between them will be at the Mint par; if they do not, the exchanges will turn in favour of the exporting and against the importing country. Both importers and exporters, on all occasions, endeavour, as far as possible, to avoid the transmission of bullion, whereby they escape the expense of freight and insurance, and the loss of interest besides. Exporters who may be competing with each other will sell their bills below the Mint par—that is, at a discount—to avoid bullion transmission; and on the other side importers who have debts to liquidate in foreign countries, will pay a premium for bills rather than transmit bullion. In fact, merchants, rather than incur the necessity of sending bullion, will offer premiums to drawers of bills, although that premium may rise to the cost of the bullion or specie remittance, which forcibly proves the immense advantage of this instrument in commercial transactions. Beyond this point—that is, the cost of bullion or specie remittance—the premium the importer must pay cannot rise, and the discount the exporter must sacrifice cannot fall. These points are called the 'specie or bullion points;' they remain fixed between countries of the same standard of value, and are variable between countries of different standards. If one of the countries has a depreciated paper currency, the real exchange between such a country and

one using a metallic standard is found by allowing for the depreciation of the paper. This is either quoted as so much discount against specie, or it may be calculated by comparing the market price of bullion and its Mint price. If we allow for this depreciation we can find the real exchange, on the specie basis, between the two countries.

This is the theory of the foreign exchanges as illustrated by the most simple example, viz. between two countries having only a mutual export and import trade. But in practice the influences which have to be taken into account are much more numerous and complex, and we shall now consider the most important among them.

In the first place it often happens that a nation exports a great deal to another nation without buying of it, and in return at the same time importing largely from a third country to which it sends little. The indebtedness stands in this case as follows: A. has claims on B. and is indebted to C. This is what is called a 'triangular trade,' and the indebtedness is settled by B. remitting to C. for account of A. As an example of such an indebtedness we may quote the trade between America, England, and the East. America exports to England more than she imports from England, but buys more of the East than she sells to the East, and the claims are settled through London, by means of the claims of England on the East.

Another item which largely affects the course of exchanges nowadays is the shifting of loanable capital from one country to another. The mere merchandise which passes from one country to another is not the sole cause of the favorable or unfavorable state of exchanges. A foreign loan will influence the exchanges against the country lending and in favour of that borrowing, for it is equal to an import to the former and an export from the latter. It is true the loan will have, some time or other, to be repaid, but leaving aside the question of possible repudiation, at the time the loan is effected this will not come into question, and the loan acts upon the exchanges simply as the importation of the securities of the country contracting the loan into that advancing the money, exactly

in the same way as if it were merchandise. It is for this reason that a foreign loan has sometimes been resorted to as a means of checking an unfavorable state of the exchanges.

If a loan when taken up acts as an export from the borrowing country, the interest due thereon will, when payable, be equal to an import into the country which contracted the liability. These permanent debts do not, it is quite true, affect the relative indebtedness of countries, except when they are to be repaid, but the interest thereon will, of necessity, be a permanent feature and must materially affect the trading capacity of a country borrowing to a large extent abroad, as she must either export so much more or import so much less.

From the above it will be clear that the large totals which appear as representing the imports and exports of mere merchandise between two countries are no index of its indebtedness, of which they only form one item. It is therefore erroneous to imagine that the prices of bills —the rates of exchange—depend upon the imports and exports of merchandise, for they depend upon the *balance of indebtedness*.

Of late years the operations in what are termed international stocks have played a prominent part in influencing the foreign exchanges. On several occasions certain stocks have been largely bought by a country which would thereby of course increase its indebtedness just as much as if it had imported corn or cotton.

Another item which we must mention as at least temporarily influencing the balance of indebtedness is that class of bills called 'financial paper.' These are bills which are not drawn against shipments of goods, but against open credits to be provided for at maturity. The effect of such bills will in the end be nought, for the buying of the 'cover' at maturity will counteract the effect of the sale of the bills; but while such bills are floating about unprovided for the effect will be the same as an export from the drawing and an import to the accepting country.

There are other things, such as spending money in

foreign lands, which will influence the rates of exchanges; but we will not follow them any further in detail. We have enumerated the important items and conclude by repeating that all liabilities incurred, whether large or small, have an influence upon the exchanges, and that the course of exchanges depends in the end on the *balance of indebtedness*. Our example of the triangular trade will have shown our readers that by 'balance of indebtedness' we do not mean that existing between two countries only, but that existing between one country and the rest of the world. England, for instance, takes more from America than she exports to America, yet the exchange is almost continually in favour of England, because the balance of America's total indebtedness is rather against her.* The rates of exchanges between two countries, therefore, do not depend so much upon the state of trade between those identical two countries as upon the indebtedness of each of those countries to the whole world. This is a consequence of what is called 'arbitration of exchanges' which is continually at work to bring all exchanges to the same level. If, for instance, bills on Paris are at a premium in London, and bills on Antwerp at a discount, whilst bills on Paris are also at a discount in Antwerp, a London merchant may liquidate his debt at a cheaper rate by purchasing a bill on Antwerp and buying there a bill on Paris, than by buying in London a bill on Paris direct. When three places are used in these operations, they are called '*simple arbitration*,' when more than three are used, '*compound arbitration*.'

The influences which bear upon the exchanges which we have hitherto explained are those occasioned by the requirements of trade and commercial intercourse, and we have seen that, however manifold and complete they are, all they can bring about is a fluctuation of the exchanges between the two 'specie points,'—a comparatively small difference, and which through the increased facilities of transportation and the greater security

* Of late the American exchange has exhibited a tendency to be more favourable to the United States.

of shipments of specie is daily growing still smaller. Much larger and more important are the fluctuations in the rates of exchanges which are brought about not by a commercial but by a political disturbance, by the issue of inconvertible paper money. The Italian, the Austrian, the Russian, and above all the American exchanges during the civil war, have thus undergone most violent fluctuations. But there is a difference between an unfavorable rate brought about through a depreciated paper money and one resulting from an unfavorable balance of indebtedness, and the former may be called *nominal*, the latter *real*.

We have already stated that we can calculate the real exchange in such an instance by allowing for the depreciation of the currency as indicated by the rise of the market price of bullion above the Mint price, and when we apply this test we may sometimes find the *real* exchange in favour of a country while the *nominal* exchange is largely against it. Thus the nominal exchange between London and Amsterdam fell more than 20 per cent. against England in 1694 on account of the depreciation of her currency, at the same time the real exchange was in her favour.

From the foregoing it will be seen that the further the balance of indebtedness is against a country, in such proportions will the exchanges become unfavorable, until that point is reached at which it is cheaper to purchase and remit bullion. To bullion-producing countries like America and Australia this will be the normal state of the exchanges, but for countries which are not in this position it is clear that the state of things must have become abnormal, when the precious metals are remitted in payment for any length of time.

The fluctuations in foreign exchanges, which we have hitherto been investigating concern more particularly the 'short exchanges,' which are directly influenced by the balance of indebtedness. But it is not always easy to trace the effect of this cause because the exchanges are generally quoted for 'long sight,' and in order to be

able to make the necessary allowances we shall now examine the forces which come here into play.

First, a bill at short date or at sight, provided it be of first class, will command a better *proportionate* price than one drawn at a long date, on account of its more speedy realisation, also the contingency of failure of the parties to the instrument at a long date is avoided.

Another consideration is the state of the money market in the country where the bill is made payable, which also affects the exchanges. A bill bought for ready money must, if it have a long time to run, suffer a deduction in price, and this deduction will be regulated according to the value of money where it is accepted, for it is there that the bill will have to be discounted.

On the other hand, the price of bills is also very much dependent upon the state of the money market in the country where the bill is drawn. Tightness of money will force sales of foreign bills, and in times of panic the fluctuations of the course of exchanges are very considerable.

But the most important consideration entering particularly into the rate for 'long' bills is the credit of the parties whose names are on the bills. Apprehensions with respect to them will bring about very large differences in the exchanges. It must be remembered that although a certain rate of exchange may exist for bills at a certain time, sellers will differ a fraction in the price they demand, according to circumstances. The purchaser of a first class-bill must expect to pay more, for less risk, than if he bought a second-class bill. It may even happen that long-dated paper will command a higher price than shorter dates, when the credit of the parties to the long bills stands higher in the market.

All these causes are at work in determining the course of exchanges, and to one or the other of them the fluctuations in the rates will be due. Which cause exercises the predominating influence in each single case can only be decided by observing closely and minutely the state of the money markets, the relative value of the

precious metals, the political aspects and prospects, and the general current of trade.

The exchanges which we have so far inquired into are the foreign exchanges; but there are also 'inland exchanges.' The debts of two cities of the same country are, like international debts, as much as possible liquidated by bills, and if the debts are at times unequal there will be a demand for the bills on the city to which the largest account is owing and their price will rise to a premium. London, for instance, always has a large balance in its favour, being a centre to which payments have constantly to be made, and hence the premium on bills on London. If Liverpool had to remit to London £100,000 and to receive £50,000, the demand for bills on London at Liverpool would exceed the supply by the difference.

We have employed several times the term 'favorable' or 'unfavorable' in reference to the state of the exchanges, and we shall now explain what this means.

If bills upon Paris are offered in London more than demanded, the exchange on Paris in London will be at a discount, whilst the bills drawn from Paris upon London will be at a premium. This indicates a larger indebtedness of France to England than of England to France, and it is customary to call such an exchange 'favorable' to England and 'unfavorable' to France. The expression is a remnant of the times when the world was judging of international trade by the doctrines of the 'mercantile theory,' which taught that foreign trade is profitable in proportion as it brings specie into the country. From this point of view an exchange which indicated a larger indebtedness of foreign countries to England than of England to foreign countries was of course "favorable," for it indicated the tendency of specie to come into the country. To-day the mercantile theory has no champions, but still there is from the purely commercial point of view a justification of the continued use of the expressions 'favorable' and 'unfavorable.' The former means, as we have seen, that bullion is likely to be

imported, the latter that it will most likely have to leave the country. Now, our home and foreign trade, immense as they are, are carried on on a comparatively small reserve of bullion, the greater part of which is held by the Bank of England, and in the ordinary way a withdrawal of only a few millions of gold will affect the money market; it, is, therefore, of great concern to every merchant in this country whether the exchanges are 'favorable' or not, for in the latter case bullion may be largely exported, and he may have difficulty in meeting his engagements. The means, however, by which we now try to correct an adverse state of the exchanges are very different from those employed by the advocates and disciples of the mercantile theory. The latter tried to correct the exchanges by checking imports and encouraging exports of merchandise—a suicidal policy; we now administer a check to overtrading by a rise in the rate of discount. Capital is to-day to a large degree international and a rise in the rate of interest here above that ruling abroad will attract it. We therefore find that a sufficient advance in the Bank of England rate of discount is invariably followed by a turn of the exchanges in favour of England, and a fall in the rate tends to produce an opposite effect. A high rate of interest ruling in London causes a demand for bills on that city with a view of profiting by the higher value of money; at the same time foreign bills held in England will be offered for sale upon the market.

In speaking of the effect produced upon the money market by the changes in the Bank rate, it should be stated that the Bank has of late years distinctly lost much of the power rapidly to affect the value of money outside, which it formerly possessed. This is owing mainly to two circumstances. One is that the Bank has, comparatively speaking, ceased to be a competitor, except in special circumstances, for commercial bills in the discount market, and from this cause its 'turn over' as a rule is small. This fact has been brought to light by Parliamentary returns which were moved

for in the House of Commons, and explains one of the causes why the Bank has more difficulty in turning the foreign exchanges in favour of this country when the necessity arises than was the case when it did regularly a larger part of the discount business of the London market. If for instance the Bank is discounting, say, on an average £100,000 a day of bills, by holding its hands awhile the demand is forced into other quarters, the floating supply outside is absorbed, and a more immediate response to the rise in its own rate of discount is ensured. By having such a small amount of bills as a rule maturing in a day there is very little money to pay to the Bank, and any such action as that referred to would consequently in such circumstances produce no appreciable effect. To protect its gold therefore other tactics have to be resorted to. Instead of daily maturing bills of exchange the Bank holds larger amounts of Government stocks, and it is by borrowing on these securities that the floating supply of money is absorbed, its value raised, and the foreign exchanges affected as desired. During very long periods of cheap money the Bank no doubt finds this device answer the purpose in a roundabout fashion, and may be it makes as much profit and less loss in the long run. On the other hand, the leading bank in the country is now and again rather an object of ridicule, for the reason that one notice sometimes follows another announcing an advance in its minimum rate of discount, and the outer market is no more affected than was the flowing tide by Canute in his chair. This is a course of proceeding which at all events can be covered up by abolishing that part of it which reveals its weakness.

The other circumstance referred to is that, as regards its lending and discount business, the Bank has lost ground while the large joint-stock banks have gained ground, and wield a heavier weapon in the market than the Bank itself. If the Bank finds the new line it has taken in this respect pays the best, then we think it would be decidedly wiser to abolish its notices of changes

in the rate—a reform which would sweep away other difficulties which are and have long been a source of trouble and annoyance to the London money market.

We see, therefore, the great importance which is attached to the changes in the rate of discount, and are able to understand the connection between the fluctuations in the rate of discount and the foreign bill market. There are many continental cities which hold large amounts in bills on London, and, if the rate of interest here falls below the continental rate, those bills will be immediately sent to England, and the gold returned to be invested in the higher rate of interest ruling on the Continent. A rise in the price of bills *on* England is sure to be accompanied by a fall in the price of foreign bills in England.

Following these remarks about the theory of the foreign exchanges we shall now examine their practical working.

Every quotation of exchange between two places is given by taking the money of one place as fixed, and that of the other as variable. We have therefore to make a distinction between the quotations when the English money is giving the fixed amount and the foreign money is variable, and those when the English money receives the fixed amount in foreign money and itself expresses the variations.

1. *Exchanges when London 'gives' the fixed amount.*

Amsterdam .	3 months and short .	in florins and stivers . .	for £1
Austria . .	3 months	in florins and kreutzers .	for £1
Belgium . .	„	in francs and centimes .	for £1
Copenhagen .	„	in crowns and öre . . .	for £1
Germany . .	„	in reichmarks and pfennige	for £1
Italy . . .	„	in lire and centesimi . .	for £1
Marseilles .	„	in francs and centimes . .	for £1
Paris . . .	3 months and short .	„ „ . .	for £1

2. *Exchanges when London 'receives' the fixed amount.*

Brazil . . .	60 and 90 days' sight .	in pence	for 1 Braz. milr.
East Indies .	At sight and 60 days' sight	„	for 1 rupee.
New York . .	„ „	„	for 1 $.

Portugal . .	3 months	in pence for 1 milr.
Russia . . .	„	„ for 1 rouble.
Spain . . .	„	„ for 1 dollar.

Ten years ago Portugal was, except England, the only European country using the gold standard exclusively, and the exchanges between this country and the continental cities depended upon the relative price of gold and silver. A great change has, however, come over Europe by the adoption of the single gold standard by Germany in 1871, for the consequence of this has been the complete or partial demonetization of silver in most European states. To-day the standards employed are as follows:

Austria, Italy, and Russia have an inconvertible paper currency.

Holland has introduced the double standard, as a step from the silver to the gold.

England, Germany, the Scandinavian kingdoms, Portugal, and, since the restriction in the coinage of legal tender five-franc pieces in France, practically also the countries of the so-called Latin convention, *i. e.* France, Belgium, Switzerland, Greece, and Italy (for her metallic money), use the single gold standard. Spain and Roumania have also adopted the French monetary system, but, like Greece, those countries have not yet completed their currency reform. France still retains nominally her inconvertible paper currency, but, as a matter of fact, the Bank of France pays her notes, which have long since been at par, when presented in small sums, over the counter.

These changes have simplified our 'exchange list;' and although they have somewhat contributed to the disturbance of the silver market, they have established a secure metallic basis for the commerce between all the countries using the gold standard, for which the Mint par can be easily ascertained. For these countries it is as follows:*—Amsterdam, 12·107; Copenhagen, 18·16; France and the Latin union, 25·22$\frac{3}{25}$; Germany, 20·429; Portugal, 53·28; New York, 4·8666.

* 'Foreign Banking Arbitration.' By Herman Schmidt. London: Effingham Wilson.

The 'specie point' at which, under ordinary conditions, bullion begins to flow between these countries are generally taken as follows:

	Gold comes to England.		Gold leaves England.
Amsterdam . . .	12·14	...	12·02
Copenhagen . . .	18·22	...	18·10
France	25·33	...	25·13
Germany . . .	20·53	...	20·31
New York . . .	4·90	...	4·83
Portugal . . .	52½	...	53½

In London the exchange days for the negotiation of foreign bills are Tuesdays and Fridays (2 to 3 p.m.), and the custom is that all bills purchased are paid for on the next post day. If a bill is shorter than three months, or sixty to ninety days respectively, interest is allowed to the seller at the market rate of the place the bill is drawn upon.

If a bill is longer than three months, it is not readily negotiable, and is only to be sold by allowing to the purchaser a rate of interest usually above the bank rate of the place on which it is drawn.

The days of grace that may be customary abroad are not taken into consideration in London. If foreign bills are stamped, the stamps are usually charged to the buyer.

Bills on Spain and Portugal are not negotiable unless their tenor says that they are 'payable in gold or silver.' Bills on New York must bear the remark 'payable in gold' in order to ensure their not being paid in greenbacks.

Bills drawn on London from abroad are sometimes at 'usance;' this means:

30 days' date	for bills drawn	from	France, Geneva, Malta.
1 month's date	„	„	Germany and Holland.
2 months' date	„	„	Portugal and Spain.
75 days' date	„	„	Sweden.
3 months' date	„	„	Italy.
60 days' sight	„	„	New York.
90 days' sight	„	„	South America.

CHAPTER XII.

THE NEXT STEP IN THE IMPROVEMENT OF THE SYSTEM OF SETTLING INTERNATIONAL DEBTS.

The theory of foreign exchanges has been made the subject of many most valuable works, and little or nothing that is new can be said about it. The influences, however, which are at work and which determine the course of exchanges, as we see them quoted in the daily lists, are so various that, however completely the theory may have been expounded, there always remains something to be added in the shape of illustration or explanation.

The increase latterly in the number of the countries which use the single gold standard is an important circumstance considered in connection with the foreign exchanges. Germany, Denmark, Sweden, Norway, Japan, and, practically, also Holland and the states of the Latin convention, have worked latterly on the mono-metallic system. This circumstance, and the plan of remitting money from one place to another by 'telegraphic' or 'wire transfers,' a system which has already become so prevalent that even the India Council has adopted it, have in some respects simplified and in others changed the modus operandi of the exchanges. It may therefore, perhaps, be useful to review their present position; to foreshadow if possible in what direction the next step in this department of economic science will be taken; and to show what other methods may be employed for the more expeditious and economic adjustment of international debts.

We will begin by referring to the international medium of exchange, *i. e.*, money.

Money, the 'representative' and 'distributor' of capital,

has for a long time been confounded with the capital which it aids in reproducing and distributing, and mistaken political economists have tried to increase the capital of a country by increasing the amount of money or by artificially preventing money from leaving the country. These views, which added so much to the commercial decline of Spain and which found their fullest development in the 'mercantile theory,' have been exposed long ago, and are to-day generally repudiated, though still entertained to a greater extent than is often supposed, and almost openly adopted by the 'soft money' advocates of the United States.

Money, however, as we need scarcely remind the intelligent reader, even if understood to mean only gold or silver or notes convertible into such, is but a very small part of the capital of a country, viz. that employed in the transfer of goods; and it will be clear that it is as much a gain to a country to effect its transfers of goods, *i. e.*, its commerce, with less money, as it would be to effect it with fewer conveyances.

It is by comprehending the use of money as a medium of exchange in this light that we can realise that the clearing-house system is a national gain; for its object and purpose is to dispense with the use of money. In other words, it is the reduction of modern commerce to a system of 'perfected barter.'

The amount of money, *i. e.*, gold or silver, or notes convertible into these metals, which a country may require, is dependent upon the activity of commerce and the value of gold and silver, *i. e.*, the prices of goods, on one side, and upon the efficiency of the currency and the perfection of the clearing system on the other. An increase in the number of transactions or a rise in prices will cause a greater amount of money to be required; and an increase in the efficiency of the currency or the perfection of the system of paying by cheques will allow of a certain amount of money being withdrawn; and it will depend upon the comparative power of these two forces whether more money is wanted by the country or not. This, of course, applies

only to metallic money, which is the international medium of exchange; inconvertible paper currency isolates a country and shuts it out from the self-acting control of imports and exports.

From the above remarks it will be clear that the amount of money which a country requires cannot be fixed, but that it will always regulate itself and be readjusted by exports and imports of specie if no artificial obstacles are placed in the way. 'Money,' as has been remarked, 'must like water find its own level.'

This is accomplished in the following manner. The alterations that occur in the demand and supply of single commodities vary in different parts of the globe; while prices rise in one country they often fall in another. It thus happens that a country in which prices have risen will find it profitable to buy abroad, while foreign countries cease to buy of it; the balance of indebtedness will have to be paid in specie; bullion will leave the country, and this will in the end bring about a fall in prices.

But there is another way of recovering the quantity of money which a country may have lost and which it needs, by raising the rate of interest.

A portion of the money in every country represents its loanable capital, and a surplus of exports over imports will, simultaneously, or anterior to its effect on prices, affect the rate of interest of the loanable capital. If, therefore, money leaves the country which is not set free through economical developments, such as a greater extension of the clearing system, but which is taken from the stock which the country requires to carry on its commerce, the rate of interest rises in the bullion-exporting and falls in the bullion-importing country. The consequence is that the money will flow back to the market whence it came and where in the shape of loanable capital it commands a higher rate of interest.

A reduction of prices or a rise in the rate of discount is the means of augmenting the diminished quantity of the bullion in a country, and thus we notice that, when the amount of our gold reserve in the Bank of England falls

below a certain point, one or both of these methods will be operative to attract gold from abroad.

These movements of specie have always existed, but formerly, when the means of communication were less developed and the risks attending shipments were larger, those who sent specie had to take these uncertainties into account and, to use the common term, the exchanges had to go very much against the country to indemnify the bullion dealers for the greater expenses of shipments. The result was that the difference between the two 'specie points' of the foreign exchanges at which money began either to flow into or to leave the country, was considerable, and this difference was often further artificially increased by putting export and occasionally also import duties upon gold or silver, which did not, as some governments supposed, prevent these metals from leaving or entering the country, but which simply raised the point at which they left or entered, making the community pay for the difference. The same result of widening the distance between the specie points has been brought about by a high mint-signorage, such as that of ½ per cent. which up to 1873 existed in the United States.

The improved facilities for transporting specie, and the greater security of shipments have latterly brought the 'specie points' nearer together, and at present they may be taken as follows:

	Exchange when gold arrives.		Exchange when gold leaves.
Amsterdam . .	12·14	...	12·02
Berlin . . .	20·53	...	20·31
Paris . . .	25·33	...	25·13
Alexandria . .	98¼	...	96¾
New York . .	4·90	...	4·83

We give the exchanges for the above five places only, because they are the capitals of the countries to which our gold mostly goes or whence it generally comes. Portugal, which might have been included in the list, charges an export duty on gold (5 milr. p. 1 kilogr.) which interferes with its free movement. For countries having a silver standard (India, &c.), the specie points will vary according

to the relative value of gold and silver, and for those using an inconvertible paper currency, based upon the silver standard (Austria, Russia), the specie points will vary according to the relative value of gold and silver as well as according to the depreciation of the paper currency. The countries of the double standard come only into consideration for the exchanges based upon the gold par.

The above list shows a difference between the two specie points of $\frac{3}{4}$ to 2 per cent.

Though this difference is comparatively small, it frequently happens that the specie points are touched, which brings about an increase in the number of shipments. These shipments sometimes counterbalance each other. It thus happens that the American exchange is favorable to England, while the German or French exchanges are against England. Money will then arrive from New York to go to Berlin or Paris, a fact which would only exemplify that this city is the heart of the bullion market, whereto the specie flows from the producing countries to be distributed over the world. But if these shipments do not counterbalance each other, they bring about alterations in the Bank rate, which is either raised to attract bullion from abroad or reduced through foreign arrivals of bullion. And here we should remark that, although the difference between the specie points is not considerable, when it becomes evidently necessary to attract bullion from abroad, the rise in the Bank rate must be rapid and effectual. For the bills on which bullion movements are based have generally three months to run, so that the Bank rate here would have to be 4 per cent. above the rate abroad in order to cover a charge in the shipment of 1 per cent.

These frequent changes in the Bank rate which have increased especially during the last five years, partly through the greater extension of the area of the gold standard, and partly through temporary and exceptional causes, have often been complained of, and various plans for remedying the inconveniences experienced from this state of things have been suggested. But from what we

have said above it is clear that the cause of the evil, if evil it be, is the greater facility of sending specie and the consequent increase in the number of shipments, and that all proposals which do not touch this cause cannot be considered a thorough remedy.

We shall now inquire whether some method could not be adopted by which the trouble and expense of the shipments of gold might be avoided, which would at the same time tend to steady the rate of interest.

Our previous explanations have shown that every country requires in a given state of trade a certain amount of money to carry on its commerce, a fact confirmed by experience. The specie which leaves a country and which is taken from this required amount will always come back after a certain time. Indeed, with some countries the movements of specie consist simply in taking a certain amount of gold from the vaults of the principal bank of the one state and transferring it to the vaults of the principal bank of the other state; whence, after a time, it is taken away to be retransferred to its former place.

It is now to be considered how far it would be practicable to effect these transfers by simply placing in the books of one bank a certain amount of gold to the credit of another, leaving meanwhile the bullion itself where it is.

Such a proposal cannot, we admit, be carried out in practice with all countries—at least not for the present. The gold, for instance, which is taken to Alexandria is not placed in the vaults of any bank, but finds its way direct into active circulation, and, when returned to England, comes to us directly from circulation. In this case it cannot be denied that nothing short of the metal itself would satisfy the demand, for a credit on the Bank of England would be of no avail.

The same objection applies to New York. There is no bank in the States which is the recognised bullion reservoir of the country, and what specie goes across the Atlantic finds its way into the Gold Exchange, whence it is distributed through the various arteries of trade.

LIBRARY OF THE UNIVERSITY CALIFORNIA

But even if we limit the application of our scheme only to Paris, Berlin, and Amsterdam, we believe it could be made to work and would result in a great advance in political economy. The movements of specie between these three places and our city are very large, and if they can be avoided commerce at large would gain.

The proposition is that the Bank of England should buy of or sell to the 'Banque de France,' 'Banque Néerlandaise,' and 'Reichsbank' bullion in bars or coins at the price of £3 17s. 9d. and £3 17s. 11d. respectively per ounce standard, and agree to keep the bullion sold free of charge on account of the buyer, and to let bullion bought of these institutions remain with them.

Such a scheme may appear impracticable at the outset, but we think a closer examination will show that the objections against it are less weighty than may appear. We may state at once that what we propose is only for ordinary quiet times; during periods of international complications it might not be possible to apply it. Moreover, we do not propose it for any large or even proportionately large amount of the reserves of those banks, but only for that part which has been called the international 'speculative fund,' which represents the available supply of capital which is always ready to flow from place to place according to the conditions of supply and demand. The system, therefore, could not have been applied to Germany whilst she required the actual gold to complete her currency reform, but it may be applied to her when that reform is established.

It may be objected that those banks require the money in their own vaults to meet their notes. A great part of it, no doubt, they always require for that purpose, but there will be no danger of having a portion abroad; even in the times of crises what was wanted in London has always been the Bank-note, not the sovereign, and the Bank-note they would have, for the gold belonging to the Bank of England would be counted as assets in the 'issue department,' whether it lies in Threadneedle Street, Paris, Amsterdam, or Berlin. Moreover, if the

treasure itself should be wanted, it would not take many hours to bring it from either of those places.

The gold drains on the Bank of England from 1844 to 1866 have never exceeded eight millions, and only four times five millions, and yet what an influence did they exercise on the Bank rate!—an influence which certainly would have been greatly diminished by an arrangement such as that suggested, which would save us the trouble and risk of the frequent shipments to or fro, and, what is of far greater moment as regards their influence on the money market, would hide the operations from the view of those who do not understand them.

We have seen above that the rise in the Bank rate must be comparatively considerable in order to attract bullion from abroad, and that while this process is being gone through of recovering the required amount which serves as the basis for the paper circulation the country needs, all who require discounts or advances have to pay those higher rates.

But if bullion belonging to France or Germany were already in the Bank of England, or if the latter were allowed to keep part of its bullion abroad, a smaller difference in the rates of interest would suffice to induce these countries to part with their treasure, just as on the other hand a slight fall in the value of money in England below that ruling on the Continent would have the effect of diminishing the bullion at the Bank of England. The specie points would thus be brought nearer together, and, if we do not take the legal 'remediums' into account and base our calculations of the above given prices of £3 17s. 9d. and £3 17s. 11d. they would be as follows:

Amsterdam . .	12·10	...	12·13
Berlin . . .	20·42	...	20·46
Paris	25·21	...	25·26

The proposed arrangement would therefore make a change of the rate of discount more effective and tend to do away with the exceptionally high and the exceptionally low rates. We do not say that the changes themselves

would cease, but they would be less extreme, which would be a real and substantial advantage. A comparatively steady rate of interest is in the long run better both for bankers and merchants.

There is another advantage which most likely will accrue if the system proposed could be introduced.

If the custom be once established between the principal banks in the countries of Europe which have adopted the gold standard of leaving part of their bullion for a time with another bank, it seems not unlikely that in the course of events by a spontaneous process one principal bank will become the guardian of a considerable portion of the bullion of other banks, and thus assume towards them a similar position as the Bank of England does towards the other London banks. We should then have found a way of making transfers of specie between several countries through this central gold reserve bank, and an opening would be made for the introduction of an 'International Clearing House.' No doubt other writers have thought of such a perfection of the banking system, but, as far as we know, they all imagine that the ultimate goal would be reached by bills on London, *i.e.*, on the centre of commerce, becoming the general recognised medium of payment all over the world. This was already expressed by J. S. Mill more than a quarter of a century ago, but we doubt whether it will be in this manner that the last step in the perfection of the banking system will be made. The tendency, so apparent of late, to bring producers and consumers in more direct intercourse rather tends to increase abroad the market for bills on France, Holland, or Germany, and we doubt whether the claims settled through London are to-day proportionately as large as when Mill wrote.

But in one way or the other we shall some day see the dome of an international clearing system rise as the crowning edifice over the present national banks, and we shall not be surprised if the ultimate consummation takes place in the manner we have suggested.

CHAPTER XIII.

COINS.

A COIN, derived by some from the Latin 'cuneus,' a wedge, by others from the Greek κοίνος, common, may be broadly defined as a piece or lump of metal or other substance generally accepted by the community in which it is current as possessing a certain fixed value. The many advantages of the precious metals for the purpose of a currency have commended themselves almost universally to all ages. Sufficiently costly of production; of all materials the least liable to be damaged or destroyed in performing their functions; easily and exactly divisible, they are the most equitable and convenient substances to serve the purpose of money.

The universal use of metal coins among civilised nations has invested them with an historical interest which can only be realised by a closer study of the subject. The chronology of Greek reigns, and the dates and succession of Roman events in many cases, can alone be determined by studying the coins current at the period. It is to the inscriptions they bear that many obscure passages of history and many difficult allusions of ancient authors owe their illustration. By them are preserved to us pictures of fine buildings and works of art, of which even the names are forgotten and the ruins have disappeared. Some of the richest stores of sculpture are due to the genius of the Roman mint; and poetry, too, as Addison has proved, has an intimate connection with ancient coins. But we do not here propose to follow in their curious labours the numismatist or the antiquarian. We shall

adopt that more practical, if less fascinating, view of the coinage which is in consonance with the present work, and shall endeavour to trace its history and importance as a standard of value and a medium of exchange.

It is worthy of comment that neither the authors of the Homeric poems nor the early Jewish chroniclers make any mention of coins. If we are to believe Herodotus,* they were first used by the Lydians, but we may with more show of probability accept the statement of the Parian Chronicle that the Æginetans† were the first to introduce them into Greece. The Lydian 'stater,' made of gold and silver, probably soon followed the Æginetan issue, and the Persian 'Daric'‡ is generally supposed to come next in order of antiquity. At a very early date the Egyptians coined metal rings, first of gold, and afterwards of silver, or "white gold," which bore no indication of purity or weight, and were weighed in the gross against the article they purchased. This process, which, when such commodities as oxen, or perhaps camels, were in the balance, became tedious, not to say inconvenient, was superseded by the Greek coins, which bore an impress of value and were of gold and silver; and this may be considered the first of the many gradations by which European currency has attained its present high efficiency. In the time of Alexander the Great gold and copper coins were distributed throughout Greece, and admit of distinct classification, both according to the cities to which they

* Herod. I, 94. Speaking of the Lydians he says, "*πρῶτοι δε ἀνθρώπων, τῶν ἡμεῖς ἴδμεν, νόμισμα χρυσοῦ καὶ ἀργύρου κοψάμενοι ἐχρήσαντο.*"

† The credit of first coining money was assigned by the Greeks to Phidon, King of Argos, also the reputed inventor of weights and measures, and he is said to have established a silver mint in Ægina.

‡ 'Daric' was probably another name for the gold staters of Darius Hystaspes, which were of very pure gold, and were called after him *στατῆρες Δαρεικοί, Daric staters* (like a *Louis d'or, Napoleon*, &c). They were intrinsically worth about £1 1s. 10d. of our money.—Liddell and Scott's 'Greek Lexicon,' article on "*στατήρ*." The word is otherwise derived from the Persian 'darâ,' *a king* (the coins bearing the figure of a king on their obverse). It is several times mentioned by the Old Testament writers at the time of the return of the Jews from Babylon; it is translated "dram" in the A.V.

belonged, and the kings in whose reigns they were issued. There are also preserved sets of ancient coins issued by Lydia, Persia, Judæa, Phœnicia, Numidia and Mauritania, Carthage, Spain, Gaul, and Britain, all of which are usually classed together under the heading of barbarian coins. But by far the most complete and interesting of the ancient series is that of Rome, which is divided into consular coins, imperial coins, and medallions. The first class includes the Roman 'asses' and coins of families, *i. e.*, coins stamped with the name of some noble Roman family. The other classes are also subdivided into Roman and Grecian. In 266 B. C. silver coinage was introduced in Rome, the 'denarius,' or coin of 10 'asses' being made of that metal. This coin corresponds to the early English silver penny, and hence the symbolical letter 'd.' Of modern coins, the Italian series begins under the Ostrogoths towards the close of the fifth century, the French under Clovis in 490, and the Spanish under the Visigoths, about eighty years later; Germany, Lombardy, and Naples, issued coins soon after the date of Charlemagne; in 772 Pope Hadrian I instituted a papal currency; and the example was followed by Denmark* and Sweden in the ninth, and by Norway in the eleventh, century.

It is impossible to give a date to the earliest institution of the coinage in this country. There is reason to believe that the Britons used coins for some time previous to the Christian era, though a passage in Cæsar's Commentaries has been adduced against the theory.† The first coin to which a date can be given with any approach to probability is the 'Sego,' which may have its name from Segonax, one of the Kentish kings who opposed Cæsar's invasion; and we have also the 'Bodvo,' which may be a coin of

* Some few very early Danish coins are also preserved.

† "Utuntur aut ære aut annulis ferreis, ad certum pondus examinatis, pro nummo."—Cæsar, 'De Bell. Gall.,' v, 12. The passage is, however, corrupt, and "Utuntur aut ære, aut nummo æreo, aut taleis ferreis, &c.," is a more common reading. The coins were at any rate not gold or silver, according to Cicero, 'Ad. Fam.,' vii, 7; but, on the other hand, Strabo, in his 'Geographia,' and Tacitus, in his 'De Vitâ Agricolæ,' both assert gold and silver to be among the products of Britain.

Queen Boadicea. After the subjugation of Britain by Claudius, about 70 A.D., the national coinage was entirely superseded by that of Rome, and the discovery of coins bearing certain initial letters strongly supports the supposition that Roman mints were established in the country; as an instance, P. LON. has been assumed to signify *Pecunia Londini.* In the Saxon era a national coinage, though it was much interfered with by the Danish invasions, was reintroduced; and the practice of stamping upon the coin the name of the place where it was minted informs us of the existence of mints in most of the chief towns throughout the country.* There appears in addition the name of the Mynetere (Minter) or Monetarius, in whom the whole operation of minting was centred, and who thus attested his responsibility for the genuineness of the coin; and this practice prevailed to the close of the thirteenth century. As a further security against dishonesty on the part of the mint-master a custom was established (in the reign of Henry II, as conjectured by the Lansdowne MSS.) of reserving for examination by the king or his deputies one coin of every few pounds' weight minted. These coins were kept in a chest or 'pyx,' which was subjected to a trial about four times annually, and at the present day 'a trial of the pyx,' as it is still called, is periodically instituted at the mint by the Company of Goldsmiths, on whom the office of inspection has devolved. It is probable that to each minter belonged an especial *cuneus* or die, and to him was assigned a mint for the purpose of stamping a particular coin, and this goes to explain the apparent improbability of the hypothesis that several mints were in existence at the same time in the same place, which is strongly supported by a variety of records and ordinances from the time of Athelstan till so late as the reign of Edward VI, in whose journal we find mentioned simultaneously 'York's Mint' and 'Throgmorton's Mint in the Tower;' and he elsewhere speaks of 'York, master of one of the mints at the Tower.' After the destruction of the heptarchy the

* Ruding's 'Annals of the Coinage,' vol. i, pp. 50, 117.

right of coining was claimed by Athelstan* in 928 A.D., and it has ever since formed a part of the Royal prerogative.† The privilege was, however, often delegated to the clergy,‡ and it was not till the middle of the sixteenth century that it became an exclusive function of the crown. The coins issued by the Royal Mints have always borne the stamp of the sovereign, who, in consideration of this guarantee, levied upon the coinage a duty or 'seignorage.'§ Of this charge it is at present sufficient to say that its rate was arbitrarily determined by the Crown, its variations being so capricious that, while in 1464 it reached £2 7s. 8d. on every pound of standard gold, and 3s. 4d. on every pound of standard silver, in 1492 it was 8d. per lb. on gold and 2d. per lb. on silver. It was abolished by Charles II in 1666.

* The ordinance, as translated by Wilkins, runs, "Statuimus ut una moneta sit per omnem Regis ditionem, et nemo monetam cudat extra portam." —Wilkins, 'Leges Anglo-Saxonicæ,' p. 59.

† In the laws of Henry II (Wilkins, p. 320) we find under the year 1156, "Novam fecit monetam, quæ sola recepta erat, and accepta in regno." It would seem from page 314 that the more powerful barons had hitherto issued coins of their own making.

‡ Thus, by a charter of King John, three moneyers were granted to Hubert, Archbishop of Canterbury, and his successors, in perpetuity, for the coinage of money in his see.—Wilkins, 'Leges Anglo-Sax.,' p. 355. But the Crown, while it resigned in these instances the profits of the minting, always retained the power of fixing the standard, denomination, and stamp of the coins. It may be remarked that the appointment of the clergy to important posts in the mint was for many centuries common in this country. Thus, in 1548, Bishop Latimer strongly protested against the custom:—"Well, well. Is this their duetie? Is this their office? Is this their calling? Should we have ministers of the church to be comptrollers of the myntes? Is this a mete office for a priest that hath cure of soules? Is this his charge? I would here ask one question; I would fayne knowe who comptrolleth the deuill at home athis parishe, while he comptrolleth the mynt? . . . . . but the saying is, that since priestes have been mynters, the money hath bene worse than it was before."—'Latimer's Sermons,' 1575, folio 16 *b*, cited Ruding, vol. i, pp. 313, 314.

§ According to Le Blanc ('Traité Historique des Monnoies de France,' p. 90) this charge was not exacted by the Roman Empire, which defrayed all the expenses of coinage. This author produces an ordinance of King Pepin to show that the right of seignorage existed in France at least as early as the year 755 A.D. It is conjectured by Lord Liverpool to have been of Gothic origin.

For some time previous to the Conquest silver pennies of a fixed quality and weight had been in general circulation in England. Their quality was the same as that of the present silver currency, the pound of 12 oz. being divided into 11 oz. 2 dwts. of fine silver and 18 dwts. of alloy, and silver coin in such proportions has always been known as "English Standard Silver." The system as regards weight was simple enough. The pound in tale of silver was equal to the pound weight* of standard. It was divided into 20 shillings, each of which contained 12 pennies or sterlings; a penny therefore weighed $\frac{1}{240}$ of a pound, or exactly one *pennyweight*.

Before noticing the several changes in the coinage which have taken place in England, it may be well to enumerate the three methods by which coins may be debased.†

First.—By diminishing the quantity or weight of the metal of a certain standard of which any coin of a given denomination is made.

Second.—By raising the nominal value of coins of a given weight and made of a metal of a certain standard; that is, by making them current or legal tender at a higher rate than that at which they passed before.

Third.—By lowering the standard or fineness of the metal of which coins of a given denomination and weight are made; that is, by diminishing the quantity of pure metal and increasing the quantity of alloy.

The first of these methods has usually been applied in the case of silver coins; the gold coinage has then generally been debased by an arbitrary elevation of its nominal value, in order to preserve the previous relation between the two metals.‡

* The pound weight used at the Tower (the seat of the Royal Mint till 1810) was equal to $\frac{5}{6}$ of the pound Troy, and was known as the "Tower Pound." It was also in use at Rochelle, and is hence termed the "Rochelle Pound" by French writers. An almost identical weight was employed by the Germans for weighing gold and silver. Its use at the Tower was interdicted by Henry VIII, and the Troy pound has since remained its substitute for minting purposes.

† Lord Liverpool's 'Letter to George III on the Coins of the Realm,' p. 30.

‡ It is a moot point how far the royal prerogative of debasing coin extends.

In the reign of Henry III gold coins were first issued from English mints, though the "byzant" of Constantinople and the Florentine "florence"* had previously circulated in England and throughout Europe. It is here necessary to say that a pound of gold has always been divided by English assayers into 24 parts, called carats,† each carat being subdivided into 4 parts, called carat grains. The "Gold Pennies"‡ of Henry III were "24 carats fine," *i. e.*, contained no alloy; they each weighed two sterlings, or the $\frac{1}{120}$ part of the Tower Pound, and were valued at 20 sterlings or silver pennies. Thus fine gold was at this time (1257) estimated with regard to standard silver as 10 to 1, and fine gold as compared with fine silver was therefore as $9\frac{1}{4}$ to 1.

In 1344 Edward III changed the standard to 23 carats, $3\frac{1}{2}$ grs. fine and $\frac{1}{2}$ a gr. of alloy. This is now called the old English standard, and continued unchanged till Henry VIII in 1526 struck coins of 22 carats fine and 2 of alloy, which were known as "crown" gold to distinguish them from the old coins, which still remained current under the name of "angel" gold.§ The old and

The right of declaring at what nominal value the coins of a country shall pass is reckoned by Sir Matthew Hale "inter Jura Majestatis" ('Pleas of the Crown,' vol. i, chapter xvii), but the enhancing or debasing of the standard fineness is considered illegal by Sir William Blackstone ('Commentaries,' book i, ch. vii). It appears from the treatise of Le Blanc, already mentioned (p. 156), that a tax called "Monetagium" was voluntarily introduced by the French to induce the king not to exercise his right of debasing the coin.

* The byzant and the florence each contained $\frac{1}{8}$ of an ounce of gold, and were therefore nearly equivalent to our half-sovereign. The florence, especially, was for a considerable period in high repute in Europe, and, according to Le Blanc (p. 154), became for some time the name of all gold coins. It was afterwards made of silver, and the silver florence or florin was till lately in many countries, and is still in Austria, the unit of value.

† The carat was originally an Abyssinian weight. It is literally a bean, the fruit of an Abyssinian tree, called Kuara. This bean from the time of its being gathered varies very little in its weight, and seems to have been in the earliest ages a weight for gold in Africa. In India it is used as a weight for diamonds, &c.—See 'Bruce's Travels,' vol. vii, p. 174 of the 1805 edition.

‡ The word penny, or its French equivalent *denier*, seems to have been at this time a general term for coin of any metal.

§ The terms "angel" and "crown" gold arose from the fact that the "angel" (so termed from the figure of an angel on its obverse) was made of

new standards were in use simultaneously for more than a century. In 1543 Henry VIII invented an intermediate standard of 23 carats fine, and four years later Edward VI issued coins only 20 carats fine, this being the most debased standard ever authorised in this country. In 1550 Edward VI raised the gold coinage to the "new standard" (22 carats fine), and in 1553 Mary finally restored it to the "old standard." In 1576 Elizabeth's coins were 23 carats 3¼ grs. fine, and in 1593 she re-adopted the new standard. The old standard was again authorised by James I in 1605, and both old and new by Charles I in 1626; but in 1670 Charles II adopted the new standard solely, and no change has since then taken place.

The Saxon* standard of silver coin was, as we have already seen, composed of 11 oz. 2 dwts. of silver to 18 dwts. of alloy,† and with the exception of a short, but very remarkable period of debasement and of one trifling

the old standard, while the "crown" was introduced by Henry VIII as a coin of the new standard.

* William the Conqueror, as remarked by Ruding (vol. i, p. 146), wisely abstained from any alteration of the national currency, which remained unchanged for nearly two centuries after the battle of Hastings.

† In the treatise of Le Blanc already quoted, p. 166, we find that the old English pennies were of true fineness, and were received by foreign states as equivalent to one dwt. of standard silver. And it may be noticed that, though the English coinage has been greatly debased, yet foreign countries have managed to keep ahead of us in this respect, and, indeed, the depreciation of their coin has often supplied English debasements with a plausible excuse. Thus, when the Scotch coinage was debased in order to pay the ransom of David Bruce, a similar change shortly followed in England, so that the previous uniformity of the two currencies might be maintained. The Scotch pound in tale, which was originally, like the English, identical with the pound weight of standard silver, is now only $\frac{1}{36}$ of what it was; and the French "livre," which also once represented the same weight, is now $\frac{1}{74}$ of its old value. In the same way the Dutch "skilling" and the French "sou" are now far less valuable than the English "shilling." The Spanish "maravedi" (originally a Moorish coin) in 1220 weighed 84 grains of fine gold, and was worth about 14s. of our money; it is now a small copper coin, barely worth $\frac{1}{6}$ of an English penny. The "florence," formerly a gold coin worth ten shillings, has become a silver coin worth twenty pence; and the Portuguese "reis," once the unit of value in that country, is now equivalent to $\frac{27}{401}$ of a penny.

deviation in the reign of Elizabeth, it has continued the same to the present day. The important period to which we refer commenced in the 34th year of the reign of Henry VIII, who, amongst other devices for recruiting his impoverished exchequer, debased the gold coinage as already stated, and also the silver coinage to 10 oz. fine. A further debasement of the standard to 8 oz. fine for shillings and sixpences was sanctioned by Edward VI in 1550, while for groats and smaller coins the pound of 12 oz. contained only 4 oz. of silver, and this was followed in 1553 by an issue of sixpences containing 75 per cent. of alloy. The coinage was restored by Mary to 11 oz. fine, a standard which had the great advantage of an exact correspondence with the new standard of gold. The original standard was, however, resumed by Elizabeth in 1559, and, with the exception of a reduction of 1 dwt. in 1576* which did not long continue, this has since remained the standard of the country.

The debasement of silver coins has, as before remarked, chiefly proceeded in the manner first mentioned above, and we prefer to notice them first, because the changes in the value of the gold coinage have as a rule immediately followed the debasement of the silver currency. The following is a table of the nine debasements of the silver coinage under this head.

Date.	Reign.	Value of standard silver.		Approximate percentage of debasement.
		Tower pound.	Troy pound.	
		s. *d.*	*s.* *d.*	
1066	William I	20 0	21 4	—
1279	Edward I	20 3	21 $7\frac{1}{5}$	$1\frac{1}{4}$
1344	Edward III	22 2	23 $7\frac{1}{15}$	$8\frac{1}{2}$
1346	Edward III	22 6	24 0	$1\frac{1}{3}$
1353	Edward III	25 0	26 8	9
1412	Henry IV	30 0	32 0	$13\frac{1}{3}$
1464	Edward IV	37 6	40 0	$13\frac{1}{3}$
1527	Henry VIII	42 $2\frac{1}{4}$	45 0	6
1559	Elizabeth	56 3	60 0	12
1601	Elizabeth	58 $1\frac{1}{2}$	62 0	$1\frac{1}{6}$

* This was probably made as a partial defrayment of the expenses of coinage.—Ruding, vol. i, p. 91.

Thus the total debasement of silver coin in little more than three centuries was 65½ per cent.

The Act of 1816, by which the Troy Pound is now divided into 66 shillings, does not concern the above list, inasmuch as the present regulations have come into force since, and are consequent upon the abolition of silver as a standard value in England, a subject of which it will be necessary to treat in its proper place.

The gold coins issued by Edward III in 1344 were valued at 6 shillings,* and weighed 4 dwts. 19⅕ grs. The Tower Pound was therefore coined into 50 pieces and was worth in tale £15 of the money of that time. The Tower Pound of Standard Silver being at this time worth 22s. 2d., the relation of fine gold to fine silver was rated at about 12½ to 1. The gold coins were, however, considered to be over-rated, and were refused in payment; they were therefore shortly afterwards withdrawn. In the same year the gold Noble† was issued, and the following table gives the particulars of its debasements, which were for some time carried on by reducing its weight, as in the case of the silver coins. It will be observed that the dates of the debasements of gold and silver coin tally exactly, and that the relative value of gold and silver was, by this means, more or less exactly maintained.

Date.	Reign.	Nominal value of the Noble.	Weight of Noble.	No. of Nobles in Tower Pound.	Value in tale of Tower Pound.	Approximate relation of gold to silver.
		s. d.	*dwt. grs.*		£ *s. d.*	
1344	Edward III	6 8	6 1¼	39½	13 3 4	11 : 1
1346	Edward III	6 8	5 8⅘	42	14 0 0	11½ : 1
1353	Edward III	6 8	5 8	45	15 0 0	11 $\frac{2}{13}$: 1
1412	Henry IV	6 8	4 19¼	50	16 13 4	10⅘ : 1

* They were intrinsically worth about nineteen shillings of modern money

† Half- or maille-nobles and quarter- or farthing-nobles were coined at the same time. These coins gradually worked their way into favour, though it was at first necessary to provide that no one should be obliged to take them in payment of less than 20s. They bore a device of the king standing in the centre of a ship with his sword drawn, in commemoration of the defeat of the French fleet at Sluys and of the other naval victories of Edward III.

The remaining debasements of the silver coinage were for the most part accompanied by a corresponding rise in the nominal value of the gold coins. Another coin was generally at the same time introduced which took, under a new name, the former value of the old coin. The following is a table of the debasements of the gold coinage upon this system.

Date.	Reign.	Coin.					No. of coins in Tower Pound.	Value in tale of Tower Pound.			Approximate relation of gold to silver.
		Name.	Value.		Weight.						
			s.	*d.*	*dwt.*	*grs.*		£	*s.*	*d.*	
1464	Edward IV	Noble	8	4	4	19¼	50	22	10	0	$11\frac{2}{15}$: 1
		Angel*	6	8	3	13¼	67½				
		Rose Noble†	10	0	5	8	45				
1527	Henry VIII	Sovereign‡	22	6	10	0	24	27	0	0	$11\frac{2}{15}$: 1
		Rose Noble	11	3	5	0	48				
		Angel	7	6	3	8	72				
		George Noble	6	8	2	23	81				
1550	Edward VI	Sovereign	24	0	10	0	24	28	16	0	5 : 1§
		Rose Noble	12	0	5	0	48				
		Angel	8	0	3	8	72				
1558	Elizabeth	Sovereign	30	0	10	0	24	36	0	0	$11\frac{2}{15}$: 1
		Rose Noble	15	0	5	0	48				
		Angel	10	0	3	8	72				

From this it will be seen that in 1527 there was, so to

* The angel was introduced to supply the place hitherto filled by the noble. It bore an angel on its obverse, the ship of Edward III being placed on the reverse.

† Also called a rial. This coin had exactly the same weight as the nobles of Edward III in 1353, which passed at 6s. 8d.

‡ The sovereign (so called because it represented the king on his throne in royal robes) was introduced by Henry VII, who assigned to it its legitimate value of 20s., its weight being twice that of the rose noble, or 10 dwt. 16 grs.

§ The low exchangeable value of gold for silver, as here shown, was the most pernicious effect of the disgraceful debasement of the silver coins. The profit on exchanging silver for gold was, in 1551, 128 per cent., and in 1552, when gold, as estimated by the coinage, was to silver in a relation of less than 2½ to 1, the profit is said to have exceeded 355 per cent. The infliction of the most severe penalties was powerless to prevent the exchange of silver coins at less than their nominal value, and we are told that 21s. in silver was at one time given for an angel, nominally worth only 10s. (Stowe's 'Survey of London,' vol. i, p. 88). The farmers, too, preferred exporting many necessaries to selling them for the base silver coin.

speak, a double debasement, the coins being increased in tale at the same time that they were reduced in weight. The coins of the new standard of 22 carats fine were in the meantime debased by weight only, according to the following table.

Date.	Reign.	Coin.			No. of coins in Tower Pound.	Value in tale of Tower Pound.	Approximate relation of gold to silver.
		Name.	Value	Weight.			
			s. d.	*dwt. grs.*		£ *s. d.*	
1526	Henry VIII	Crown	5 0	2 $9\frac{1}{4}$	$100\frac{1}{2}$	25 2 6	$11\frac{1}{4}$: 1
1544	Henry VIII	Sovereign	20 0	8 8	$28\frac{4}{5}$	28 16 0	Between 7 : 1
1545	Henry VIII	Sovereign	20 0	8 0	30	30 0 0	and $2\frac{1}{3}$: 1
1553	Edward VI	Sovereign	20 0	7 $6\frac{1}{2}$	33	33 0 0	$11\frac{1}{10}$: 1
1601	Elizabeth	Sovereign	20 0	7 4	$33\frac{1}{2}$	33 10 0	11 : 1

In 1601, moreover, Elizabeth reduced the weight of the angel of the old standard from 3 dwt. 8 grs. to 3 dwt. 7 grs., thereby raising the current value of a Pound Troy of the old standard to £36 10s. As from this date no change was made in the silver currency, it might be supposed that the value of gold coin also remained fixed. But another influence about this time began to affect the relations of the two metals. This was the discovery of the American mines.* Soon after the accession of James I, the extensive importations of silver into Europe necessitated a further debasement of the gold coinage; the angel of the old standard was reduced in weight to 2 dwts. 23 grs., and the sovereign of the new standard was replaced by the 'Unite,' which weighed 6 dwt. $10\frac{3}{4}$ grs. But this change soon proved quite insufficient, and James, finding that his Unites passed for 22 shillings abroad, authorised a rise of 2 shillings in the pound, or 10 per cent. in the nominal value of all gold coins. Thus, in the short space of seven years, the value of gold rose 21 per cent. as compared with that of silver, and James I,

* It is remarkable that the effect of this discovery was not felt sooner. It is suggested by Lord Liverpool (p. 49) that it may have been checked for a time by the demand for silver plate and ornaments caused by the increasing luxury of Europe.

in the 17th year of his reign, made a further reduction in the weight of gold coins of both standards, the new twenty-shilling piece being named a Laurel. It appears, however, that these latter alterations were too rapid, as great inconvenience was occasioned during the reigns of James I and Charles I by the scarcity of silver coin occasioned by the low comparative value given by the mint to silver bullion, which naturally drove away the merchants almost entirely. But the still increasing price of gold gradually remedied the evil, and we are told by Sir William Davenant* that £1,000,000 of silver was coined between 1649 and 1658, while the value of the gold coined during the same period is elsewhere said to have been only £154,000. Thus in 1663 Charles II again reduced the gold coins; and the new Laurel was called a Guinea.† The following table exhibits the changes in the name and weight of the twenty-shilling piece of the new standard from the accession of James I up to this year.

Date.	Reign.	Coin.		No. of coins in Tower Pound.	Value in tale of Tower Pound.	Approximate relation of gold to silver.
		Name.	Weight.			
			dwt. grs.		£ *s.* *d.*	
1601	Elizabeth	Sovereign	7 4	33½	33 10 0	11 : 1
1605	James I	Unite	6 10¾	37½	37 4 0	12½ : 1
1619	James I	Laurel	5 20½	41	41 0 0	13⅓ : 1
1663	Charles II	Guinea	5 9½	44½	44 10 0	14½ : 1

The price of gold as compared with that of silver therefore rose 33 per cent. in a period of sixty years. Nevertheless the guinea, during the reigns of Charles II and James II passed by common consent, for twenty-one or twenty-two shillings, and Locke says that the gold coins varied 'according to the current rate,' *i. e.*, according to the market relation of gold to silver. Another circumstance

* Sir William Davenant's 'Discourses,' pp. 33—39; cited by Lord Liverpool, p. 67.

† The guinea was so called because great quantities of them were coined out of gold brought from the Guinea coast by the Royal African Company.

about this time caused a still more rapid rise in the exchangeable value of gold coin. This was the wretchedly imperfect state into which the silver coins fell towards the close of the seventeenth century. In 1695 they wanted nearly half their weight, and Lowndes says that the guinea even passed at thirty shillings. The new silver coins were hoarded or exported, while the old hammered, clipped, and abraded money continued to be given in exchange. As the only remedy for such a state of things, the old coins were declared no longer current, and were refused by the Government in payment of taxes after the 4th May, 1696, and a general recoinage of 'milled' silver money was instituted. At the same time the exchangeable value of the Guinea was restricted by Act of Parliament to twenty-six shillings, and afterwards to twenty-two shillings. Yet very small practical results were achieved by these energetic measures, and the government financiers viewed with dismay the exportation of the new silver coin, which had been manufactured at an outlay which has been variously estimated at from two to three millions.

In 1717 Sir Isaac Newton, then master of the Mint, gave it as his opinion that this continuous exportation was principally caused by the discrepancy between the actual and the nominal value of the guinea, which then passed at 21s. 6d. though its intrinsic worth was only 20s. 8d.; and, in accordance with his suggestion, its value was *fixed* at 21s., and no longer varied with the market price, as has been the case since 1663. This, the last debasement of English gold coin, increased the value of the Troy pound of the standard of twenty-two carats to £46 14s. 6d., and fine gold was thus estimated with regard to fine silver in the proportion of about $15\frac{1}{5}$ to 1.

Before quitting this part of the subject we may observe that the numerous debasements we have detailed seem to have proceeded from two motives; first, the augmentation of the royal revenue, and, secondly, the prevention of the export of coin. As regards the first, the object, at the expense of course of honesty, was perhaps temporarily attained; but only temporarily, as the cheat could not

long remain undiscovered. And the second has been repeatedly shown to be quite fallacious. When the balance of commerce is unfavorable to a country, that is, when the value of the merchandise imported exceeds the value of that which is exported, then coin will necessarily be exported to make up for the deficiency; but when the balance of commerce lies the other way, the precious metals in the form of bars or coins will be imported. The adoption of the double-standard system results in the coins of one or other metal being driven out of circulation; but whichever kind remains in the country will be increased in like proportion. No alteration in the tale, quality, or weight of the coins can at all affect these principles. On the other hand, the debasement of the currency for whatever purpose is always injurious to a country, and must, if persisted in, destroy its credit. 'Whatever, therefore,' to quote the words of an eminent writer on this subject, 'may be the fate of future times, and whatever the exigency of affairs may require, it is to be hoped that that most awkward, clandestine, and most direful method of cancelling debts by debasing the standard of money will be the last that shall be thought of.' *

Copper coins were first issued by Charles II in 1672, for, though copper and brass 'tokens' had previously been in circulation, their intrinsic value was so far below that at which they became current that they were not recognised as coins. From this time copper coins were in constant use till 1860, when they were superseded by the present bronze issue. Other metals have at times been used for coinage. Charles II issued tin farthings with a copper centre in 1680, and ten years later James II forced into currency money made of old guns and of pieces of iron, copper, and pewter, at exorbitant rates. Private 'tokens' of silver, lead, and other metals have also been permitted by the government to circulate, in order to supply a deficiency of silver coins.

The bronze coinage in circulation since 1860 is composed of 95 per cent. of copper, 4 per cent. of tin, and 1

* Harris, 'On Money and Coins,' part ii, p. 108.

per cent. of zinc. We may observe that in order to prevent the pennies from being too large and the half-pennies and farthings too small, the latter coins weigh more than the half and quarter respectively of the former.

The proceedings of the royal mints appear to have been regulated from a very early date by contracts made between the sovereign and his mint-masters. The first of these now extant is a 'mint agreement' of the year 1279, between Edward I and one Turnemire,* who was at that time master of all the royal mints. It provides that the value of one lb. of silver sterlings shall be £1 0s. 3d.; that the king's net seignorage shall be 1s. per lb.; that the mint-master's allowance shall be 7d. per lb. for pence, and 10½d. for halfpence; and that the moneyer (or actual operative) shall receive 3¼d. per lb. A copy of another document of the same date called a 'Rotulus de Monetâ'† gives further the processes by which the coin is to be minted; provides that one penny piece of every ten pounds of standard silver minted shall be placed in the 'pyx,' of the two keys of which the mint-master shall keep one, and the warden (or king's representative) the other; and assigns to the supervising officers their various duties. It also informs us of the 'remedy' or 'tolerance of weight' then permitted to the mint-master, that is to say, the margin above or below standard weight allowed him in consideration of reasonable deviations from mathematical accuracy in the process of minting. The remedy here allowed is 2½ dwts. per lb., and thus the exact standard weight of 243 pence being by the above-mentioned agreement 240 dwts., they would still have been legally current had they weighed 242½ dwts. or 237½ dwts. The 'Rotulus de Monetâ' is moreover interesting as containing the earliest mention of the fourpenny piece (probably then coined for the first time), called a groat because it was the largest coin made; and the term seems less inappropriate when it is remembered that the groat of Edward I was somewhat larger than the present shilling. It also authorizes the

* This agreement is given *in extenso* by Ruding, vol. ii, p. 447.

† Harleian MSS., No. 660, fols. 31 B and 34.

issue of round farthings, these coins having been previously produced by the section of a penny into quadrants. The contract entered into by the king with the mint-master was afterwards embodied in a single deed called an 'indenture,' which endured, unless otherwise therein stipulated, till the death of one or other of the contracting parties. The earliest indenture now preserved is of the year 1344, and gives a clear description of the functions of the warden, who was appointed by the king wherever there was a mint, and who was entrusted with the general supervisal of the master's department; he received the seignorage, caused the assay of the coinage when completed, audited the accounts, and had charge of one of the keys of the 'pyx' and of one of the keys of the strong box in which the coin was kept before its deliverance.* Very little practical alteration was introduced by the succeeding indentures till the year 1422, when the offices of warden and mint-master were assigned to one person. It must be mentioned, however, that during this period a third officer called the comptroller, who was, according to Ruding, first appointed in 1281, came into a definite and permanent existence. He, doubtless, represented the interests of the public, just as the master represented his own, and the warden those of the king. As each officer delivered a distinct account, the complicity of all three was necessary to a fraud.† The mutual double check of this triumvirate was destroyed by the amalgamation of the offices of master and warden, which only, however, continued during the reigns of Henry VI and Edward IV. The indenture of 1489 is remarkable as first authorizing the coinage of the 'sovereign,' which was made current for twenty shillings; and, in 1504, shillings and sixpences also were struck for the first time. The royal seignorage, too, exacted at this time by Henry VII is less than any other on record. The accession of Henry VIII carried with it, besides the extraordinary debasements of the coinage already mentioned, an entire change in the constitution of the mint

* Harleian MSS., No. 6364.

† Ruding, vol. i, p. 16.

itself. The general confusion throughout the country to which the degradation of the currency gave rise probably influenced these alterations to a great extent; but they were also, doubtless, occasioned by an attempt on the part of Henry VIII to increase the revenue arising to him from the coinage. With this object, he undertook the entire management of the Mint, put the Mint officers on fixed salaries, and paid himself the whole of the difference between the coinage expenses and a gross seignorage. A high-treasurer and under-treasurer were created in place of the warden and Mint-master respectively; to the latter belonged the duty of immediately superintending the manufacture and expense of the coinage, while the former audited his account, and took up the balance on behalf of the king, as the warden had done before with the seignorage. Several attempts were made by the Tudor sovereigns to rectify or ameliorate the disordered state of the Mint and coinage of this period, as many as five deeds under the title of 'establishments of the Mint' being set forth between 1544 and 1561. The last of these, issued by Elizabeth in 1561,* orders that the under treasurer 'shall yearleye, or as often as he shall be called, make accompte of his sayde office before the auditor of the Mynte,' who seems, therefore, to have at this time superseded the high-treasurer in some of his duties. The under treasurer, the comptroller, the assay master, and the provost of the moneyers are made jointly responsible for the 'true making of all the coyne according to the standard ordeyned, and within the remedyes of the same.' Ten years afterwards the Mint was re-established on its ancient footing; the office of auditor was abolished, and that of warden was restored; and, under the supervision of warden and comptroller, the Mint-master contracted and coined on the old system. But this politic reorganization endured only

* This year is also notable as the date of the introduction of machinery into the Mint. The practice of clipping the coins had become so frequent as to render it absolutely necessary that their edges should be milled, and the machine known as the 'mill and screw' was first brought into use in 1553, and was introduced into England in 1561.

fifty-five years, and was succeeded by a revolution, in itself remarkable, but pregnant with issues of yet greater importance to the Mint of two centuries later.

The moneyers have hitherto appeared as persons employed by the Mint-master as actual operatives in the processes of minting, and as sharing neither in the responsibilities nor in the profits of the coinage; and there seems little doubt that this is a fair definition of their position until the Tudor period. The extraordinary changes introduced by Henry VIII produced a general confusion during which it is difficult, if not impossible, accurately to discover the duties of any of the officers. The 'establishment' of Elizabeth already quoted renders the provost of the moneyers accountable to the crown, but the assay master is also mentioned, and, if indeed anything can be argued from the restless confusion of this period, the safest hypothesis is perhaps that both these officers, the one for himself, and the other for the body of operatives of whom he was the head and representative, were made responsible under a subcontract with the Mint-master. It is, however, unnecessary to enter further into these speculations; the rise and importance of the company of moneyers virtually dates from the final abolition of the old contract system and the new and abnormal provisions instituted by Charles I in 1626. In many respects this change resembled that made by Henry VIII; both monarchs were actuated by a desire to increase the revenue arising from the Mint, and both attempted to gain this end by putting the master on a salary and appropriating the profits. Yet one cardinal distinction is to be made; Henry VIII undertook the entire management of the Mint; Charles I only became his own contractor for the melting processes, and farmed out the moneying processes to the moneyers. These principles were rendered no less anomalous than unsound by the retention of the framework of the old constitution; the indentures still treated the Mint-master as a responsible contractor; the moneyers still worked nominally under a subcontract with the Mint-master, of whom they were, nevertheless, practically

independent; and the state of disorganization thus initiated bequeathed its complications to a very recent period, and was only then terminated at the expense of considerable and prolonged investigation in the face of great opposition. The coinage about this time reached its greatest artistic perfection, when Briot and Simon successively held the office of engraver to the Mint; and in 1662 Blondeau's method of rounding the pieces and lettering and graining the edges was introduced.

Another important change, though of a different nature, took place in 1666. The bullion merchant had hitherto been chargeable with the king's seignorage and with the Mint-master's rates for the expenses of coining; the Act of this year transferred this liability to the sovereign, who was in return permitted to exact a tax or 'coinage duty' on most varieties of imported liquors. The result was obviously to reduce standard bullion and coin to equivalence, and, as will be presently seen, to introduce another difficult and important consideration into the question of the currency. In 1670, the date of the first indenture subsequent to the Act just mentioned, we find the contract for the melting was restored to the Mint-master, who nevertheless continued to receive a salary.

The excessive hammering and clipping of the silver coin led, as already stated, to a general recoinage of the old coins into 'milled' money, which was extensively conducted in London and at several temporary local Mints. This unusual strain upon the Mint seems to have led to a discovery of the faultiness of the existing system; in 1696 an Act was passed empowering the master to employ other persons in the event of neglect or other misconduct on the part of the moneyers; and in 1697 a committee of the House of Commons reported on "the miscarriages of the officers of the Mint."* The report gives in detail the

* Many of the complaints in this Report are rather amusing. After mentioning the opportunities of peculation afforded to the assay-master in complicity with the melter, the Report goes on to say:—"The committee doth observe that the present assay-master and the present melter of the Tower have married two sisters; and that notwithstanding the last melter, Mr.

various pretences by which the moneyers attempted to prove their existence as a corporation, and recommends that both moneyers and officers should be salaried by the king, as a change at once cheaper for the king and better for the Mint and the coinage. No important alterations, however, appear to have been effected.

In 1702 the charge for reducing ingots to standard fineness was abolished. This expense, in addition to those remitted to the merchant in 1666, has since been borne by the country, the coinage thus becoming absolutely free.

Towards the close of the 18th century most of the coins in circulation had become excessively worn and disfigured. In the year 1774, therefore, all deficient gold coins were called in, the holders being compensated within certain limits, and it was enacted that the new gold coins should henceforth be regulated by weight as well as by tale. As this measure was really the first of a series of monetary reforms suggested by Lord Liverpool, it is here advisable to direct attention to the difficulties attendant upon the issue of the coinage as stated by him, for the better understanding of the steps by which it has been attempted to meet and, so far as is possible, to overcome them. We shall take the definition of money given by Lord Liverpool in 1805 and by many earlier writers. He says :—"The money or coin of a country is the standard measure by which the value of all things, bought and sold, is regulated and ascertained; and it is, at the same time,

Sheldon, gave up his place of melter as not able to melt the silver at 4d. per lb. weight and bear all the hurt and loss, yet Mr. Ambrose, the present melter, hath got a great estate by this place and keeps his coach." Further on it is reported that the 1s. 2d. allowed for melting, milling, and edging the silver coin, is thus distributed :

	s.	d.
"To the moneyers for every pound weight of melted silver ...	0	9
"To the master-worker	0	3¼
"To the smith that does all the work	0	0¼
"For rounding, blanching, and edging	0	1½
	"1	2"

The smith's case seems certainly to have been a hard one.

the value or equivalent for which goods are exchanged, and in which contracts are generally made payable." Starting with this definition, we are at once confronted by four important difficulties.

In the first place, whatever metal is chosen for the purpose of coinage, its value must always vary with respect to itself, as well as with respect to the commodities for which it is exchanged. Gold is, for instance, more common now than before the discovery of the mines of California and Australia, and therefore less than formerly of a commodity of which the value has in the mean time remained the same can now be bought for the same amount of gold. This difficulty is indeed inherent in the subject, and is necessarily consequent upon the above definition of money. If we choose for our standard measure a material of trifling value and therefore insusceptible to market operations, it is not an equivalent; if, again, for the sake of equivalence, a material of value be chosen, its market variations render it no longer an exact and uniform measure.

In the second place, if more than one metal be used for currency, and each of them be equally legal tender to any amount, they will be perpetually varying in price with respect to each other, and it will happen that only that metal will be brought to the Mint which has the lowest value in reference to the other. The public will moreover be exposed to a traffic of one coin against the other, in which those unacquainted with the fluctuations of the market must be defrauded.

In the third place, if the sovereign determines the rate at which coins of two metals shall pass with respect to each other, it will happen that money-jobbers and others will always exchange the coin least priced in the market, and will melt down the other for exportation, and one coin or the other will consequently be incessantly liable to be driven temporarily from circulation.

In illustration of these remarks we need only refer to the account already given of the perpetual confusion and inconvenience occasioned by the existence of a double

standard in this country. Between 1663 and 1717, when gold coin took its intrinsic value and rose or fell in price like any other commodity, there was always a dearth of coins of one or other metal, while the popular ignorance as to the proper relative value of gold and silver naturally unsettled the prices of all things; even the acute intellects of Locke and Newton could not satisfactorily cope with these evils. When, on the other hand, the value of the guinea was, by the advice of Newton, fixed at 21 shillings, then, since its intrinsic worth was only 20s. 8d., all considerable payments were thenceforward made in gold coin, and the good and weighty silver coins were exported. Thus the silver currency once more fell into a state of grievous imperfection.

In the fourth place, the wear and tear to which the coins are subject in passing from hand to hand gradually diminishes their value. In 1773, for instance, it was estimated by Lord Liverpool that the shillings then current had been diminished by one sixth, and the sixpences by one fourth even, of their original value. Previous to the great re-coinage of 1696, the silver coin, as already stated, was reduced by nearly half its weight. Especially addressing himself to the consideration of the second and third of these difficulties, Lord Liverpool struck at once to the root of the question by advocating, first, the adoption of a single standard of value, secondly, the choice of gold as that standard, and, thirdly, the issue of silver coin at a nominal value in excess of its intrinsic worth, its functions being at the same time limited to the payment of sums not exceeding forty shillings. In 1816 these important reforms were further supported by a committee of the Privy Council, and were carried into effect by an Act of Parliament of that year. Gold had, indeed, for a hundred years previously, been, to all intents and purposes, the measure of value in England, all large payments being made in gold coin; the real benefit of the Act was the prevention of the disastrous consequences of the exportation of the silver coin, to which it was continually liable whenever that metal reached a high price. As the Troy

pound of standard silver was now divided into sixty-six shillings, and gold was thereby estimated with regard to silver in the ratio of about $14\frac{1}{6}$ to 1, the temptation to export silver coin was removed, as its intrinsic value could never exceed that which it bore by law. On the other hand, by converting it into a subsidiary currency for domestic use, and fixing a trifling sum beyond which it could not be legally tendered in payment, a profit on exchanging silver for gold was equally provided against.

As regards the diminution of the coin by abrasion in passing from hand to hand, the Act of 1774, as already mentioned, pronounced gold coins below a certain weight to be no longer legally current, while the withdrawal and recoinage of silver coins was, upon the demonetization of silver in 1816, undertaken by the Government. The loss on gold coins which have become 'light,' *i.e.*, below their 'least current weight,' was made to fall, and still falls, on the last holder. We shall, later on, have occasion to refer to the vexed question of the justice of this law.

Meanwhile, another very different consideration arose from the change. The great increase of gold coinage necessarily following upon the adoption of that metal as the sole standard raised to an enormous extent the profits of the moneyers, who had already reaped a rich harvest from the general recoinage of gold in 1774. In 1837 a select committee of the House of Commons commenced an inquiry into "the establishment of the Mint, and the system under which the fabrication and delivery of the coin were conducted," but the dissolution of Parliament prevented its completion. The work was resumed, however, in 1848 by a Royal Commission under the presidency of Mr. Shiel, master of the Mint, and in consequence of their report, which was published in the following year, an entire change of constitution was carried out in 1850. The contract system was finally abandoned, and the operations of melting and coining were conducted by salaried employees of the Government under the superintendence of the Mint-master, whose appointment was made permanent. The moneyers attempted to defend their

position on the ground that they were a corporation, and had a prescriptive right to contract for the coinage; but this plea, which could not be maintained in 1697, found no better fate in 1848, and its fallacy was fully exposed by the able statement of the secretary of the commission.* It is clear that this reform saved the country a sum at least as large as the profits previously made by the moneyers, and, as a matter of fact, the annual saving has been found to be some £10,000. In further pursuit of the recommendations of the commissioners, the system of "Indentures" was abandoned, and the regulation of the coinage was placed in the hands of the Treasury.

In 1853 a "Branch of the Royal Mint" was established at Sydney in New South Wales, and another in 1869 at Melbourne. Gold coins issued at these places are legal tender throughout the British dominions. A Hong Kong mint was also established in 1864 for the issue of silver dollars and subsidiary coins, but was abolished in 1868.

In 1870 an act was passed "to consolidate and amend the law relating to the coinage and Her Majesty's Mint," and there has been no subsequent legislation on the subject. The provisions of this Act are here exhibited in a concise form for the purpose of easy comparison with the systems of foreign countries.

(1.) The sole standard of value is gold.

(2.) The unit of value is the pound sterling.

(3.) The standard "fineness" of gold coin is $\frac{11}{12}$ of fine gold to $\frac{1}{12}$ of alloy, or 916⅔ per mille.

The "remedy of fineness," or margin allowed on either side of mathematical accuracy in the composition of gold coin, is 2 per mille.

(4.) The standard weight of gold coins is such that 934½ sovereigns weigh 20 lbs. troy. A sovereign therefore weighs 123·27447 grains troy, and contains 113·0016 grains of fine gold.

The "remedy of weight" for gold is 1·6 per mille, or 2 grains for a sovereign. Each individual piece must

* 'Report of the Royal Commission,' "Statement (A)," pp. 52-56.

meet these requirements, a rule which holds also for the remedy of fineness, and for silver and bronze coins.

(5.) The silver subsidiary coinage is only legal tender to the amount of 40s.

The "standard fineness" of silver is 11 oz. 2 dwts. of fine silver to 18 dwts. of alloy, or 925 per mille, and the remedy is 4 per mille.

The standard weight of silver coin is such that 66 shillings weigh 1 lb. troy. A shilling therefore weighs 87·272 grains troy, and contains 80·727 grains of fine silver.

The remedy of weight is 4·17 per mille.

The subsidiary bronze coinage is only legal tender to the amount of one shilling.

(6.) The expense of the gold coinage is borne by the state. Practically, however, the importer pays 1½d. per oz. for the coinage of his bullion, which he sells to the Bank of England at £3 17s. 9d. per oz. It is true that the Mint offers the full price of £3 17s. 10½d., that is to say, the Mint will convert each ounce of bullion into that amount of coin, but the time occupied by the process occasions a loss of interest to the importer greater than his gain in principal, and he prefers therefore to pay the bank 1½d. per oz. for immediate payment.*

* The charge of 1½d. per oz. made by the Bank of England since 1844 is very analogous to that formerly levied by the king under the title of "Exchange Seignorage." The issue of the coinage has, as already stated, from very early times belonged exclusively to the Crown; it thus became necessary that the sovereign should further possess the monopoly of exchanging coin for bullion, this also being a royal privilege of great antiquity (see 'Ruding,' vol. ii, p. 138). If now the importer was unwilling to "abide the time" requisite for minting, he could obtain immediate "payment and deliverance" by allowing the king's exchanger a seignorage in remuneration of the loss he was put to by his immediate advances. The amount of this seignorage was fixed by the indentures from time to time, together with that exacted by the Mint. In 1571, when the contract system was resumed, the Mint-master contracted to have £2000 in stock "for the readier payment of all such as shall nede present money for their bullion." (See the Secretary's 'Statement' in the 'Report of the Royal Mint Commission of 1848,' p. 40). It may here be observed that an attempt was made in 1829 "to facilitate the importation

The charge for the coinage of silver is 4s. per lb. troy; the pound is divided into 66 shillings, of which 62 are returned to the importer. It must be remembered that the importer receives nearly or quite the full value for his bullion, as the silver coins are over-rated, and if their intrinsic value were equal to that at which he will be able to pass them, the pound troy would make little more than 62 shillings.

(7.) Gold coin which has been reduced by abrasion below the "least current weight" specified by the Act should be "cut, broken, or defaced" by the person to whom it is tendered, the last holder bearing the loss. The Bank of England pledges itself to receive light gold coin at £3 17s. 9d. per oz. or the same price at which it is obliged to purchase standard bullion; and the Mint allows the Bank the full price of £3 17s. 10½. per oz.*

The withdrawal of the silver coin is undertaken by the State. The real difference is that the gold coinage is the property of the public, but the silver coinage is the property of the Crown, which is therefore liable for the loss occasioned by wear.

The following table gives the standard weight and "least current weight" of the gold coins now authorised.

of gold for coinage by private individuals" by the formation of a "Gold Coinage Fund" of £150,000. Three fourths of the value of the bullion imported was returned immediately to the importer, and the remainder as soon as the assays were completed. The importer thus gained the advantage of the full price for bullion paid by the Mint, but the arrangement fell through, probably because large capitalists, by monopolising the labours of the Mint, delayed importations of small amounts (see 'The Mint Report for 1870,' p. 22).

* This arrangement doubtless entails some loss on the Mint, which incurs the additional expense of melting the light coin down to bullion. A further loss arises if, as is possible, the coins issued below standard fineness, though within the remedy, are more numerous than those above standard. Indeed, the Bank price for light gold was till 1870 only £3 17s. 6½d. per oz. The Bank then undertook to reconvert the coin into bullion, for which the Mint paid the full price. The estimated cost to the Bank was therefore 2½d. per oz. The new regulation was made with a view to induce the public to part with their light gold by the offer of more advantageous terms.

Denomination.	Standard weight.		Least current weight.	
	Imperial weight.	Metric weight.	Imperial weight.	Metric weight.
	Grains.	Grammes.	Grains.	Grammes.
Five pound .	616·37239	39·94028	612·50000	39·68935
Two Pound .	246·54895	15·97611	245·00000	15·87574
Sovereign .	123·27447	7·98805	122·50000	7·93787
Half-sovereign	61·63723	3·99402	61·12500	3·96083

The five-pound and two-pound pieces have not yet been issued. The margin allowed for wear is relatively greater for half-sovereigns than for sovereigns, because they expose a greater surface in proportion to their bulk.

(8.) The Silver Currency is thus distributed throughout the kingdom:—If in any district there is a deficiency of silver coin, the bankers of that district are the first to find it out. They at once write to their London agents, who always have an account with the Bank of England, and who draw upon their account to the requisite amount. If, on the other hand, there is a surplus in any district it accumulates in the coffers of the local bankers, and is by them through their agents sent into the Bank of England. In case of a general demand, and a consequent undue reduction of the Bank stock, notice of the fact is immediately sent to the Mint, and a fresh coinage is commenced. The Bank of England is thus always able to keep the Mint informed of and ready to supply any requirements.*

The following is a list of the denominations and weight of the subsidiary coins.

* "Memorandum on the Distribution of Silver Coin," by Mr. Forbes, Chief Cashier of the Bank of England, pp. 72, 73 of the 'Mint Report for 1870.'

I. Silver:

Denomination.	Standard weight.	
	Troy weight.	Metric weight.
	Grains.	Grammes.
Crown	436·36363	28·27590
Half-crown	218·18181	14·13795
Florin	174·54545	11·31036
Shilling	87·27272	5·65518
Sixpence	43·63636	2·82759
Groat or Fourpence	29·09090	1·88506
Threepence	21·81818	1·41379
Twopence	14·54545	0·94253
Penny	7·27272	0·47126

II. Bronze:

Penny	145·83333	9·44984
Halfpenny	87·50000	5·66980
Farthing	43·75000	2·83495

(9.) The Mint is at present constituted as follows:

The Chancellor of the Exchequer is the "Master, Worker, and Warden" of the English Mint, and "Governor" of the Scotch Mint. All other officers hold their appointments from the Treasury which assigns them ther duties and regulates the general management of the Mint.

The Sovereign has power to determine the size, design, and denominations of the coins, to diminish the remedy and the margin between standard weight and current weight, to call in any coins, to introduce coins of any new metal, which shall be legal tender to any amount not exceeding five shillings, to give currency to foreign coins, to establish Colonial Branch Mints, to impose a charge for coinage thereat, and to determine the application of such charge, with some other details.

A trial of the pyx is held at least once annually, the jury being composed of not less than six members of the Goldsmiths' Company.

The preceding pages give a continuous account of the changes that have taken place in the Mint and coinage of

this country from the earliest times to the present day. Space does not admit of a similar treatment of foreign Mints, nor is it necessary to our purpose. In the belief that a right conception of the principles which should regulate the issue of a currency is best founded by examining the question in historical sequence, we have traced at some length the development of the English monetary system. It is sufficient to have done this for a single country; and we proceed at once to a comparison of our own present regulations, as above set forth, with those which now obtain on the Continent and in the United States. We shall afterwards endeavour to arrive at some conclusion as to the most advantageous system of coinage, and, assuming this to be universally adopted, we shall next discuss the possibilities of one international coinage.

The United States is the only important country besides England which takes for the basis of its currency the pound troy.

The first American mint was established at Philadelphia in 1792 "for the purpose of a national coinage." The present regulations, imposed by "An Act revising and amending the laws relative to the mints, assay-offices, and coinage of the United States," which came into force on 1st April, 1873, are as follows:

(1.) The sole standard of value is gold.

(2.) The unit of value is the gold dollar.

(3.) The standard fineness of gold coin is 900 per mille. The remedy of fineness of gold coin is 1 per mille.

(4.) The standard weight of the gold dollar is 25·8 grs.; it therefore contains 23·22 grs. of fine gold. The remedy of weight is, for the double eagle (= 20 dollars) and eagle, $\frac{1}{2}$ a gr., and for other gold coins, $\frac{1}{4}$ gr. This is rather less than 1 per mille for the double eagle, 2 per mille for the eagle and half-eagle, 4 per mille for the quarter-eagle, and 10 per mille for the dollar.

The following quantities of coin are, moreover, required to weigh collectively within $\frac{1}{100}$ oz. of their standard weight.

$5000 in double-eagles, eagles, half-eagles, quarter-eagles.

$3000 in three-dollar pieces.

$1000 in one-dollar pieces.

The denominations and weight of the gold coins are as follows:

Denomination.	Standard weight.	
	Troy weight.	Metric weight.
	Grains.	Grammes.
Double Eagle . . .	516·0	33·4240
Eagle	258·0	16·7120
Half-Eagle . . .	129·0	8·3560
Three-Dollar-piece . .	77·4	5·0136
Quarter-Eagle . . .	64·5	4·1780
Dollar	25·8	1·6712

(5.) The silver subsidiary coinage is only legal tender to the amount of 5 dollars.

The standard fineness of silver is 900 per mille, and the remedy is 3 per mille.

The standard weight of the silver dollar is 385·8 grs. The remedy of weight is 1·5 gr. for any individual coin, or about 3·8 per mille for the dollar, and 38 per mille for the dime (= 10 dollars). The remedy for large quantities is—

{ for 1000 dollars, half-dollars, or quarter-dollars ·02 oz.
{ for 1000 dimes. . . . . ·01 oz.

The following table gives the standard weight of these coins:

Denomination.	Standard weight.	
	Troy weight.	Metric weight.
	Grains.	Grammes.
Dollar	385·80	25·00
Half-Dollar . . .	192·90	12·50
Quarter-Dollar . . .	96·45	6·25
Dime	38·58	2·50

The minor subsidiary coins are only legal tender to the amount of 25 cents (=¼ dollar). They are composed as follows:

Denomination.	Composition.	Weight.	
		Standard.	Remedy.
		Troy grs.	Troy grs.
Five-cent piece . . .	·75 copper, ·25 nickel	77·16	3
Three-cent piece . .	·75 „ ·25 „	30·00	2
One-cent piece . . .	·95 „ ·05 tin and zinc	48·00	2

The remedy of fineness is 25 per mille in the proportion of nickel.

(6). The charge for the coinage of gold is ½ per cent. The charge for the coinage of silver varies, and is determined by the Director of the Mint.

(7.) Gold coins cease to be legal tender when they are reduced by abrasion below the remedy of standard weight, except at a proportionate valuation, the last holder bearing the loss. Any gold coin, however, not reduced more than ½ per cent. below standard in twenty years, and at a rateable proportion for a less period, is received at its nominal value by the Treasury and recoined.

(8.) The silver currency is thus distributed:—It is paid in exchange for gold coins at par at all the mints in sums of not less than $100. It is given in payment for silver parted from gold bullion by the refiner, and for change less than one dollar in settlement for gold deposits. The issue is thus limited to the actual requirements of the public for change.

(9.) Present constitution of the Mint, &c.:

The Mint and Assay-Offices are a bureau of the Treasury Department, and are under the superintendence of a single officer (the Director of the Mint*) under the general direction of the Secretary of the Treasury. The Director

* "*The* Mint" is the Mint at Philadelphia, of which all the other Mints are really branches.

of the Mint holds his office for five years. Each mint has its own superintendent, who is under the supervision of the Director.

The gain arising from the silver coinage goes to the silver-profit fund, and the balance of the expenses is paid into the Treasury. There is also a minor coinage profit fund. There is an annual trial of the pyx by the Assay-Commissioners.

(10.) The silver coin known as the "trade-dollar" has purposely been omitted from the list of silver coins given above, because it is manufactured purely for export, and has no connection with the national currency. After the recent adoption of the gold standard in Germany and the Scandinavian States had reduced the demand for silver, it became necessary to provide a new market for the silver mines in the west of the United States. The trade-dollar was therefore issued for circulation in China, where silver is still the monetary standard, but is not coined by the Chinese themselves; and from the latest reports of the Director of the Mint this object appears to have been satisfactorily achieved. The trade-dollar has a fineness of 900 per mille, and weighs 420 grs. troy; it has, of course, no fixed price as compared with gold, its value being regulated by the market price of silver.

The German Empire has, since 1873, adopted the following regulations:

(1.) The sole standard of value is gold.

(2.) The unit of value is the "mark."

(3.) The standard of fineness of the gold coins is 900 per mille. The remedy of fineness is 2 per mille.

(4.) The standard weight of the gold coins is such that 139½ ten-mark pieces contain one German pound* of fine gold; the gross weight of 139½ ten-mark pieces is, therefore, 1/5th of a German pound.

The remedy of *fine* weight is 2·5 per mille for the twenty-mark and ten-mark pieces, and 4 per mille for the five-mark piece.

* The German pound is equal to a trifle more than 16 oz. Troy.

The following table gives the standard weight and least current weight of the gold coins:

Denomination.	No. of pieces in 1 pound fine.	No. of pieces in 1 pound standard.	Metric weight of fine gold.	Least current weight.
			Grammes.	
Twenty-mark piece .	69¾	62·775	7·1684587	·5 per mille below standard weight.
Ten-mark piece . .	139½	125·550	3·5842293	
Five-mark piece . .	279	251·100	1·7921146	·8 per mille below standard weight.

(5.) The silver subsidiary coinage is only legal tender to the amount of 20 marks.

The standard fineness of silver is 900 per mille.

The remedy of fineness is 3 per mille.

The standard weight of silver coin is such that 100 marks contain 1 pound of fine silver.

The remedy of weight is 10 per mille for individual coins, the twenty-penny piece excepted. In quantities, however, the standard weight and fineness must be preserved.

The following is a list of the silver coins:

Denomination.	No. of pieces in 1 pound fine.	No. of pieces in 1 pound standard.
Five-mark piece	20	18
Two-mark piece	50	45
One-mark piece	100	90
Fifty-penny piece	200	180
Twenty-penny piece . . .	500	450

The nickel and copper subsidiary coinage is only legal tender to the amount of 1 mark. The nickel coins are tenpenny pieces and fivepenny pieces; the copper coins are twopenny pieces and penny pieces. Particular regulations concerning the composition, weight, and diameter of these coins are to be established by the Federal Council.

(6.) The charge for the coinage of gold is fixed from

time to time by the Chancellor of the Empire with the consent of the Federal Council, but it cannot exceed 7 marks per lb. of fine gold, or about 2 per cent.*

The subsidiary coinage is undertaken at the expense of the Empire.

(7.) All coins of any metal or denominations are received by the Treasury at their full nominal value, unless they are defaced or otherwise damaged, in which case the holders receive their intrinsic worth.

(8.) Subsidiary coin is manufactured in the mints of such federal states as desire it, to an extent not exceeding 10 marks of silver and 2½ marks of nickel and copper for each inhabitant. Certain depositories disburse gold coins in exchange for silver in amounts of at least 200 marks, and in exchange for nickel and copper in amounts of at least 50 marks. They are also open to receive silver, nickel, and copper coins which "have lost considerably in weight or imprint" at their full nominal value.

(9.) Each federal state has its own mint, which is responsible to the Chancellor of the Empire and the Federal Council. The Chancellor orders the compensation of these mints for the expenses of coinage, and the difference between this payment and the rate charged to the importer is paid into the national Treasury. The mints are not allowed to charge higher rates for private coinage than those paid by the Treasury. The Prussian Mint is governed by a 'Director,' who is responsible to the Federal Council.

Sweden, Norway, and Denmark have since 1873 adopted the following system for a common coinage.

(1.) The sole standard of value is gold.

(2.) The unit of value is the crown.

(3.) The standard fineness of gold coin is 900 per mille. The remedy of fineness is 1½ per mille.

(4.) The standard weight of gold coin is such that 248 ten-crown pieces, or 124 twenty-crown pieces, contain 1 kilogramme of fine gold.

* It is worthy of note that the price paid for bullion by the German Imperial Bank is equivalent to £3 17*s* 8½*d*. per oz.

UNIVERSITY OF CALIFORNIA

The remedy of weight is 1½ per mille for the twenty-crown piece and 2 per mille for the ten-crown piece. Also sums of 10 kilogrammes must be within 5 grammes of standard weight, the remedy for large quantities being therefore ½ per mille.

Thus the weight of the gold coins is as follows:

Denomination.	Weight.	
	Grains.	Grammes.
Twenty-crown piece . . .	138·279979	8·9606
Ten-crown piece . . .	69·139989	4·4803

(5.) The silver subsidiary coinage is only legal tender to the amount of 20 crowns in two-crown and one-crown pieces, and to the amount of 5 crowns in smaller silver coins. The standard weight and fineness of silver coins, with their respective remedies, are regulated by the following table:

Denomination.	Weight.				Fineness.	
	Standard.		Remedy per mille.		Standard.	Remedy.
	Grains.	Grammes	Single piece	1 kilogr.	Millièmes.	
2-crown piece .	231·480	15·00	3	...	800	3
1-crown piece .	115·740	7·50	5	...		
50-ocre piece .	77·160	5·00	...	6	600	
40-ocre piece .	61·728	4·40	...	6		
25-ocre piece .	37·345	2·42	...	10		
10-ocre piece .	22·376	1·45	...	15	400	

The bronze subsidiary coinage is only legal tender to the amount of 1 crown. The standard weight of bronze coins is such that $\left\{\begin{matrix}125 & \text{five-öre} \\ 250 & \text{two-öre} \\ 500 & \text{one-öre}\end{matrix}\right\}$ pieces weigh 1 kilogramme.

(6.) The Mints receive gold bullion for coinage, which is returned in coin to the importer, less a deduction of ½ per cent. if he be paid in twenty-crown pieces, and of ⅓ per cent. if he prefer ten-crown pieces. Silver bullion is

purchased by the Government only, and is issued, as already seen, as subsidiary coin at a value above its intrinsic worth.

(7.) Gold coin ceases to become legally current relative to the State funds when reduced by abrasion more than 2 per cent. below standard weight; relative to private funds, &c., when reduced more than ½ per cent. below standard. Practically, therefore, the loss falls on the State, as coin reduced considerably below the least weight for general currency is still accepted by the State funds at its full value.

Subsidiary coin ceases to be legal tender of payment with regard to the State funds when it no longer admits of identification as to the country by which it was issued; relative to all other parties when the inscription is disfigured or indistinct. Each country is moreover obliged to remelt all coins issued by it which have ceased to become current under the above rules except in payment of Government dues, and also all silver coins reduced more than 4 per cent. below their standard weight.

(8.) The subsidiary coin is distributed to any applicant in exchange for gold coin, to any amount divisible into sums of 10 crowns, at the State bank and its branches. Other offices for this purpose are appointed by special regulations.

(9.) All coining is done by the established Mints of the different countries, and can under no circumstances be undertaken by a private person. The Mints are under the immediate superintendence of the Government.

The coinage of Portugal has, since 1854, in which year the gold standard was adopted, been regulated as follows:

(1.) The sole standard of value is gold.

(2.) The unit of value is the reis.

(3.) The standard fineness of gold coin is $916\frac{2}{3}$ per mille. The remedy of fineness of gold coin is 2 per mille.

(4.) The standard weight of gold coin is 17·735 grm. for the coroa, or coin of 10,000 reis. The remedy of weight is 2 per mille.

(5.) The silver subsidiary coin is only legal tender to the amount of 5000 reis.

The standard fineness of silver is $916\frac{2}{3}$, and the remedy is 2 per mille.

The standard weight of silver coin is such that 50 tostões (or pieces of 100 reis) weigh 120 grammes. A tostão therefore weighs 2·5 grm., and contains 2·29 grm. of fine silver. The remedy of weight is 2 per mille.

The law of 1854 assigns no weight to the copper coins.

(6.) The charge for the coinage of gold is 1000 reis per kilogramme, or rather more than $\frac{1}{6}$ per cent. Silver and copper coins are issued exclusively by the State.

(7.) There are no legal provisions as to worn coin. Practically, however, the loss falls on the last holder.

(8.) "No issue of silver or copper coins can be made without the amount being in advance fixed by law." There seem to be no provisions as to the distribution of subsidiary coin.

(9.) The coinage takes place at the "National Mint," which is under the management of Government officers.

The following are the coinage regulations of Japan:

(1). The sole standard of value is gold.

(2.) The unit of value is the yen.

(3.) The standard fineness of gold coin is 900 per mille. The remedy of fineness is 2 per mille.

(4.) The standard weight of gold coin is such that the yen contains $1\frac{1}{2}$ grm. of fine gold.

The following table gives the standard weight and remedy for gold coins:

Denomination.	Weight.		
	Standard.		Remedy.
	Grains.	Grammes.	Grains.
20 yen	514·41	$33\frac{1}{3}$	·50
10 „	257·20	$16\frac{2}{3}$	
5 „	128·60	$8\frac{1}{3}$	
2 „	51·44	$3\frac{1}{3}$	·25
1 „	25·72	$1\frac{2}{3}$	

(5). We have been unable to find the limit beyond which subsidiary coins cease to be legal tender.

The following table gives the standard fineness and weight, with their respective remedies, of the silver coin :

Denomination.	Weight.			Fineness.	
	Standard.		Remedy.	Standard.	Remedy.
	Grains.	Grammes.	Grains.	Millièmes.	Millièmes.
1 yen . .	416·00	26·9566	1·5	900	
50 sen . .	208·00	13·4783	1·5		
20 „ . .	83·20	5·3913	1·0	800	2
10 „ . .	41·60	2·6956	0·5		
5 „ . .	20·80	1·3478	0·5		

The weight of the copper coins is as follows :

Denomination.	Weight.	
	Grains.	Grammes.
1 sen	110	7·13
½ sen	55	3·56
1 rin	14	0·90

(6.) There is a charge for coinage.

(7.) No least current weight is specified by the Japanese coinage law. Worn coins are received for recoinage by weight, the loss in this respect, and also the cost of recoinage, falling upon the last holder. Subsidiary coins are replaced at the expense of the Government.

The Empire of Morocco appears to use gold as the standard of value ; the fineness of the gold coin is 900 per mille.

We proceed to an account of the monetary systems of those countries which still maintain a double standard. Of these the most important are the parties to the Convention of the 23rd December, 1865, generally known as the "Latin Convention." France, Italy, Switzerland, and Belgium were originally the only contracting parties, but Greece also acceded to the Convention on the 26th

September, 1868, and Spain, by an Act of the same year, without at once joining herself with the other countries, assimilated her coinage to that authorised by them. The monetary laws of these six countries, therefore, fall under one head, with the exception that the Spanish coinage is not conducted by contract, but by salaried officers of the Government.

(1.) Both gold and silver are standards of value, the relation of gold to silver being estimated at $15\frac{1}{2} : 1$.

(2.) The unit of value is the "franc" = the Italian "lira" = the Greek "drachma" = the Spanish peseta."

(3.) The standard fineness of gold coin and of the five-franc silver coin (other silver coins being subsidiary) is 900 per mille; the remedy of the fineness is 2 per mille.

(4.) The standard weight of gold coin and the five-franc silver coin, and the remedy of weight for each piece, are given by the following table:

Denomination.	Weight.		
	Standard.		Remedy.
Francs.	Grains.	Grammes.	Millièmes.
Gold—100	497·80638	32·25806	1
50	248·90319	16·12903	1
20	99·56124	6·45161	2
10	49·78054	3·22580	2
5	24·89027	1·61290	3
Silver—5	385·80000	25·00000	3

The twenty-franc gold piece, therefore, contains 5·806 grm. of fine gold, and the five-franc silver piece contains 22·5 grm. of fine silver.

(5.) The silver subsidiary coinage is only legal tender to the amount of 50 francs. The standard fineness of subsidiary silver is 835 per mille, and the remedy is 3 per mille. The standard weight of silver coin is such that a franc weighs 5 grm.; a franc therefore contains 4·175 grm. of fine silver.

The following table gives the weight and remedy of weight of the silver subsidiary coins:

Denomination.	Weight.		
	Standard.		Remedy.
	Grains.	Grammes.	Millièmes.
Francs 2·00 . . .	154·320	10·00	5
1·00 . . .	77·160	5·00	
0·50 . . .	38·580	2·50	7
0·20 . . .	15·432	1·00	10

(6.) The charge for coinage is 7·4 francs per kilogramme of fine gold, and 1·6 francs per kilogramme of fine silver. Since one kilogramme of fine gold = 3444·4 francs, and one kilogramme of fine silver = 222·2 francs, the importer receives 3437 francs per kilogramme of fine gold, and 220 fr. 56 c. per kilogramme of fine silver.

(7.) The contracting governments refuse to receive at their nominal value gold coins reduced by abrasion ½ per cent. below the remedy, or silver five-franc pieces reduced 1 per cent. below the remedy, or coins of either metal from which the stamp is effaced. The loss on recoinage is borne by the last holder. In the case of subsidiary silver coins, the government issuing them is bound to withdraw and recoin them at its own expense when they are reduced 5 per cent. below the remedy, or when their stamp is effaced.*

(8.) The amount of subsidiary coinage is limited to six francs for each individual.

(9.) The coinage is carried on by contract, the contract being granted to the person making the highest bid on the price of fine gold and silver. The following is a brief sketch of the salient points of this system. Proposals for the coinage are only received upon condition that the competitor deposits the sum of 10,000 francs in the public funds; and the successful competitor must further, within eight days from the acceptance of his bid, deposit in the treasury the sum of 500,000 francs. The contractor is made solely responsible, both on his own account and on

* How the nationality of a coin is to be determined when its stamp is effaced the Act does not state.

that of his subordinates. The contract ordinarily endures for twelve years, but may be discontinued by the government upon the death of the contractor. The contractor has the gratuitous use of all the buildings constituting the mints, and of all the apparatus of minting belonging to them. New machines provided by him with the consent of the minister of the interior are bought by the government at a valuation on the close of the contract. The buildings and machinery of the mints must be kept in repair at the expense of the contractor. The control and superintendence of the coinage are confided to agents of the government; and all pieces for any reason not admissible in the circulation are by them separated and defaced at the expense of the contractor. The quantity and denominations of the coin are determined by the minister of the interior, to whose department the process of minting belongs, and to whom its regulation is therefore entrusted. The contractor has for his profits the proceeds of taxes for the coinage, refining, and "parting"* of bullion, as well as the charges paid on these accounts by the importer. It may be mentioned that no bids are accepted below 3436 fr. 50 c. per kilogramme of fine gold and 220 fr. per kilogramme of fine silver, these amounts being less by fifty centimes and fifty-six centimes, respectively, than the price paid to the importer.

The following is the monetary system of Holland, as framed by the laws of 1847 and 1875:

(1.) Both gold and silver are standards of value, the relation of gold to silver being estimated at $15\frac{5}{8}$ to 1.

(2.) The unit of value is the "florin."

(3.) The standard fineness of gold coin is 900 per mille, and the remedy of fineness is 1·5 per mille. The standard fineness of silver coin is 945 per mille, and the remedy of fineness is 1·5 per mille.

(4.) The standard weight of the gold piece of ten florins is 6·72 grammes, and the remedy of weight is 2 per

* The "parting" of bullion is the term given to the process of separating bullion of mixed gold and silver into its constituents.

mille. The standard weight of the silver florin is 10 grammes, and the remedy of weight is 3 per mille.

(5.) There is no law requiring the withdrawal from circulation of abraded coin. However, coins which are returned in so defaced a condition as to be unfit for further circulation are replaced by new ones at the expense of the state.

The following is the monetary system of Egypt:

(1.) Both gold and silver are standards of value, in the relation of 15½ to 1.

(2.) The unit of value is the Egyptian "pound" of 100 "piastres."

(3.) The standard of fineness of gold coin is 875 per mille, and the remedy of fineness is 3 per mille. The standard fineness of silver coin not subsidiary is 833⅓ per mille, and the remedy is 3 per mille.

(4.) The standard weight of the gold pound is 131·99 grains troy. The standard weight of the silver "tallari," or piece of 20 piastres, is 428·94 grains. The remedy of weight for these coins and their subdivisions is as follows:

Denomination.	Weight.		
	Standard.		Remedy.
Piastres.	Grains.	Grammes.	Grains.
Gold:—100 . .	131·9900	8·55360	1
50 . .	65·9950	4·27680	1
25 . .	32·9975	2·13840	1
10 . .	13·1990	·85536	½
5 . .	6·5995	·42768	½
Silver:—20 . .	428·9400	27·79560	4
10 . .	214·4700	13·89780	1
5 . .	107·2350	6·94890	1
2½ . .	53·6175	3·47445	1

(5.) The following table gives the standard weight, and the remedy for subsidiary silver coins. Their standard fineness is 750 per mille, and the remedy of fineness is 3 per mille.

Denomination.	Weight.		
	Standard.		Remedy.
Piastres.	Grains.	Grammes.	Grains.
1·00 . . .	19·064	1·23536	1·00
0·50 . . .	9·532	0·61768	1·00
0·25 . . .	4·766	0·30884	0·25

(6.) There is a charge for coinage.

(7.) Worn coins appear to be purchased by the mint by weight at the price paid for bullion. The expense of recoinage is borne by the government.

The following has been the monetary system of Turkey since 1844:

(1.) Both gold and silver are standards of value, in the relation of about $15\frac{1}{12}$ to 1. Copper and bronze are also standards of value.

(2.) The unit of value is the piastre.

(3.) The standard fineness of gold coin is $916\frac{1}{2}$ per mille, and the remedy of fineness is 2 per mille. The standard fineness of silver coin is 830 per mille, and the remedy is 3 per mille.

(4.) The standard weight of the Turkish pound of 100 gold piastres is $2\frac{1}{4}$ Turkish drams, or 7·216 French grammes. It therefore contains 6·614 grammes of fine gold. The standard weight of the silver medjidee of 20 piastres is $7\frac{1}{2}$ drams, or 24·055 grammes. It therefore contains 19·957 grammes of fine silver. The remedy of weight is 2 per mille for gold and 3 per mille for silver.

(5.) Other coins are composed of fine copper of Tokat or of bronze. In the latter case the proportions are 95 of copper, 3 of tin, $\frac{1}{2}$ of zinc, $1\frac{1}{2}$ of lead. The Turkish coinage over-estimates the value of silver and copper, and thus the gold piece of 100 piastres is worth $101\frac{1}{2}$ silver piastres, or 120 copper or bronze piastres.

(6.) There is a charge for coinage.

(7.) Light coin is received by the Mint as bullion.

Finally, we proceed to the monetary systems of those countries which still retain the silver standard.

The Austrian currency is chiefly regulated by the decrees of 1857 and 1870, the latter referring to the manufacture of gold coins.

(1.) The sole standard of value is silver.

(2.) The unit of value is the silver florin.

(3.) The standard fineness of silver is 900 per mille, and the remedy of fineness is 3 per mille.

(4.) The standard weight of the silver coin is such that from the Austrian pound (=500 grm.) of fine silver are coined forty-five florins. The florin, therefore, weighs 12·345679 grm. The remedy of weight is 4 per mille.

(5.) Gold coins are only manufactured as trade coin. These are the "eight-gulden" and four-gulden" pieces, which are respectively equivalent in weight and fineness to the French twenty-franc and ten-franc pieces. The remedy is 2 per mille for both weight and fineness. The value at which foreign and national gold coins are to be received, and the manner in which they are to be taken instead of silver coins, are fixed from time to time by "those to whom the management of traffic and commercial interests is entrusted." Subsidiary silver coins are also authorized, but to what amount they may be legally tendered in payment we have been unable to ascertain. The following table gives their standard fineness and weight and the remedies:

Denomination.	Weight.		Fineness.	
	Standard.	Remedy.	Standard.	Remedy.
10 neu-kreutzers*	Grammes. 2	10 per mille	500 per mille	5 per mille
5 „	1·3		375 „	

The copper currency consists of coins of 3 kreutzers, 1 kreutzer, and ½ kreutzer, which are not legal tender for amounts exceeding the fourth of a florin.

* 100 neu-kreutzers = 1 florin.

(6.) There is a charge for coinage of ½ per cent.

(7.) There are no regulations as to the recoinage and circulation of worn coin. In the case of gold "trade coin," however, pieces below the remedy of weight are not allowed to reissue from government offices, and are returned by them to the Mint. Such pieces are received by the government offices at their value by weight, ½ per cent. being, moreover, deducted for the cost of recoinage.

The following are the regulations respecting the coinage of Russia:

(1.) The sole standard of value is silver.

(2.) The unit of value is the rouble.

(3.) The standard fineness of silver coin is ·86805 per mille; no remedy of fineness is allowed.

(4.) The standard weight, with the remedy, of all standard silver coins is given by the following table:

Denomination.	Weight.	
	Standard.	Remedy.
Roubles.	Grammes.	Grammes.
1·00	20·731500	·1333
0·50	10·365750	·1111
0·25	5·182875	·0888

(5.) Gold coins, under the names of "imperial" and "half imperial," are also authorized for trade purposes. Though nominally worth ten and five roubles respectively, they always take their intrinsic value with respect to silver coin, which is, at the present time, something in excess of this estimate. The fineness of the gold coins is 916⅔ per mille. The standard weight of the half imperial is 6·544 grm., and the remedy is $\frac{1}{30}$th of a gramme for single pieces, and 4·2656 grm. for 1000 pieces. Subsidiary silver coin is also issued at a nominal value twice that which it really possesses, and is only legal tender to the amount of three roubles. The standard fineness of these coins is 500 per mille.

(6.) There is no charge for coinage.

(7.) The recoinage of worn coins is also carried on at the expense of the state.

The following is the monetary system of Mexico, as determined by the coinage law of the 27th November, 1867:

(1.) The sole standard of value is silver.

(2.) The unit of value is the "peso" (=100 "centavos").

(3.) The standard fineness of silver coin is 902·7 per mille, and the remedy of fineness is 3 per mille.

(4.) The standard weight of the silver peso is 27·073 grm.; the silver coins of 50, 25, 10, and 5 centavos have proportionate weights. No remedy of weight is recognized.

(5.) The standard fineness of gold coins is 875 per mille (21 carats), and the remedy is 2 per mille. The standard weight of the 20-peso gold coin is 33·841 grm., and the gold coins of 10, 5, 2½, and 1 pesos have proportionate weights. The copper centavo weighs 8 grm.

(6.) There are no provisions as to least current weight, recoinage, &c.

Before leaving the subject of Mexican coinage, some mention is due to the famous "pillar dollar,"* which emanated from the mints of this country, and which, succeeding to the place once filled by the celebrated Venetian "sequin," continued for about three centuries the chief trade coin of the civilised world.

In the year 1707 the pillar dollar contained 386⅞ gr. troy of pure silver, as assayed by Sir Isaac Newton, Master of the Mint; as the pound troy of English standard was at this time divided into sixty-two shillings, it may be easily calculated that the value of the pillar dollar was then 4s. 6d. After the Declaration of Independence this coin became the monetary unit of the United States. It

* "So called from the pillars on the reverse of the coin, which represent the pillars of Hercules, or the Straits of Gibraltar. In Morocco, across the Straits, they are called *cannon* dollars, from a pardonable misapprehension of the device and its meaning." ('Manual of Coins,' by Eckfeldt and Dubois, p. 119, note.)

had then, however, for some years contained only 377¼ gr. of fine silver, and this was in 1786 further reduced to 375·64 gr. In 1792, the dollar was adopted as the unit of value of the United States, and its weight of fine silver was fixed at 371¼ gr. By these changes the value of the dollar in English money was reduced to $49\frac{5}{16}$ pence, but yet the value of the old Spanish dollar of $386\frac{7}{8}$ gr. continued until quite recently to be termed the "par of exchange" between England and America. After the revolution of the Spanish-American colonies, the coinage of the pillar dollar, which perhaps properly belongs to the history of the coinage of Spain, was abandoned, and its place in commerce has been supplied by the dollars of the Mexican, Peruvian, and Bolivian Republics. The Mexican dollar was the chief coin circulated in China until the issue of the rival "trade-dollar" of the United States.

In many of the South American Republics, including Brazil, the currency is exclusively paper, coins being only manufactured for export. In Bolivia the following regulations prevail. Gold and silver are both standards of value, in the relation of 15½ to 1; the unit of value is the "boliviano" (=5 francs). The fineness of coins of both metals is 900 per mille, and the remedy of fineness is 1 per mille for gold coin; for silver coin no remedy is mentioned. The remedy of weight for the gold "bolivar" (=50 francs) is ·002 grm., for the "half-bolivar" ·0025 grm., and for the "escudo" (=10 francs) ·002875 grm. The remedy of weight for the silver "boliviano" (=5 francs) is ·005 grm., and more for the smaller silver coins. The only copper coin is the "centavo" (=5 centimes), which is not legal tender for amounts greater than 10 centavos. Peruvian coin is established upon the same principles, and Chili also uses the standard of $\frac{9}{10}$ths, though subsidiary silver coins are issued of the fineness of 835 per mille.

Throughout Asia silver is still the principal medium of exchange, and the fluctuations in the price of silver bullion are perhaps more due to the increase or decrease of the demand from that continent than to any European influence. Gold is, indeed, so valuable as to be almost

useless to the vast native population of Hindustan, where the wealth of an individual would often be more than measured by a single piece.

For the following particulars as to the currency of Hindustan, China, and Persia, we are chiefly indebted to the excellent 'Manual of Coins' compiled by Messrs. Eckfeldt and Dubois, of the United States Mint, in 1842.

In Hindustan, the three Presidencies of Bengal, Madras, and Bombay, issued their own distinct currencies until 1835, when the coinage of all British India was rendered uniform by Act of Parliament. In this year the Calcutta Mint adopted the standard of $916\frac{2}{3}$ fine, which had been used at Madras since 1818, and at Bombay since 1825. The weight of the gold *mohur* and of the silver *rupee* was at the same time fixed at 180 grs. troy. The rupee is practically the standard coin of the country. It is divided into 12 *annas;* the *anna* is again divided into 12 *pice,* and sea-shells called *cowries* are used by the natives for more minute subdivisions.

It is remarkable that China, "the centre of the world," as she is proudly titled by her people, possesses no gold or silver currency of her own manufacture. The only coin struck by the Chinese mints is the brass or copper 'cash'; of these about 1700 or 1800 are equivalent to the Chinese 'tael' or monetary unit, which represents nearly 580 grs. troy of pure or 'sycee' silver.* The tael is decimally subdivided into 'mace' and 'candareens.' Gold is only current in bars,† in which shape silver is also sometimes paid.

* The exact value of the Chinese tael it is difficult to discover. There are in fact several taels, many of them being only local. The most important is perhaps the "haikwan" tael, which appears to be generally used for the payment of custom-house duties; its weight is about 578 grs. troy. In commercial transactions almost every port uses its own tael, the "Shanghai tael" being perhaps the best known. The rate of exchange between the various taels and the copper "cash," which are of very uncertain size and weight, fluctuates almost daily. See the Appendix to the 'Report of the Director of the U. S. Mint for 1874-5,' pp. 88—93.

† From their peculiar shape these bars are called "shoes" by English, and "boats" (*schuit*) by Dutch and Japanese traders.

The coinage of Persia is rather interesting than important, as that of one of the first countries which are recorded to have coined money.

The normal money-weight of Persia is the 'miscal,' equivalent to about 3 dwts., and the present gold 'toman,' which weighs $\frac{3}{4}$ of a miscal ($53\frac{3}{4}$ grs. troy), corresponds to the old European ducat or sequin. The silver 'sahib-koran' weighs 83 grs., and, as ten sahib-korans are equivalent to a toman, gold is estimated with regard to silver in the relation of $15\frac{1}{2}$ to 1. The copper 'shakee' is worth one twentieth of a sahib-koran.

It is not, however, easy to assign any definite weight to the coins of this country, as it appears to be the fashion there for the monarchs to frequently recoin them, "not so much to refresh their appearance, as to derive a revenue by making them of less weight."*

A comparison of the foregoing regulations leads to the following general questions:

First, should there be more than one standard of value? This question has already been discussed in these pages; to the arguments already given in favour of a single standard it may be added that its advantages are now very generally admitted, and that there are indications of a desire to adopt gold only in most of those countries which still retain a double standard. The parties to the Latin Convention have recently limited the issue of the silver five-franc piece; and the measure was in fact necessitated by the very cause which we have adduced as the most cogent reason against such a system. At the date of the Convention gold was valued with respect to silver as $15\frac{1}{2}$ to 1, and the relative weights of the silver and gold five-franc pieces were established according to that ratio. But the recent demonetization of silver in Germany and Scandinavia, together with the use of a forced paper currency in Russia and Austria, the chief European countries which maintain a silver standard, have caused a very rapid depreciation of this metal. In 1872 the average price of 1 oz. of silver of the English

* Eckfeldt and Dubois, p. 95.

standard was $60\frac{5}{16}$ pence, and the market relation of gold to silver was therefore that of 15·63 to 1; the average price in 1875 was only $56\frac{7}{8}$ pence, and gold stood to silver in the relation of 16·58 to 1; and in July, 1876, silver fell below 47 pence, gold being thus more than twenty times as valuable as silver! A considerable recovery has indeed followed this remarkable depreciation, but the statistics we have given are sufficient to show the necessity for the limitation of the five-franc piece in order to prevent the exportation of gold coin, and it seems probable that this measure is no distant precursor to the final adoption of gold as the sole standard of value in France and the countries associated with her.

Secondly, the question as to the metal best adapted for the purpose of a measure of value is now almost at rest. For many years after the discovery of the mines of America, silver was the standard of the commercial world; on the other hand, since the great discoveries of gold, in California and Australia, that metal has been almost universally adopted, and is now, in every continent but Asia, the medium of international exchange. This fact and the decided advantage that gold possesses on account of its greater value, sufficiently decide the point, and render any detailed examination of the respective merits of the two metals unnecessary.

Thirdly, should the coinage be performed free of charge to the importer? This question has perhaps been discussed more fully than any other in connection with the subject, and very opposite views have been expressed.

The majority of English writers are in favour of the charge; recently, however, the balance of opinion appears to be against it. The grounds on which it is supported are, first, that the value of a manufactured article is always greater than that of the raw material, and that it is therefore only fair that the importer should pay for the conversion of his bullion; and, secondly, that if no charge is levied, standard bullion being thereby rendered equal to its weight in coin, the fluctuations of the market-price offer opportunities to money-jobbers and others to

make a profit at the expense of the country by melting down their coin into bullion for export when the market value is higher than the Mint price.

It is on the other hand advanced that a charge for coinage is equally unadvisable and unfair—unadvisable in that it increases the cost of production, drives away foreign gold, and encourages exportation, and unfair because it condemns the merchant to pay for a process in which every one is equally interested with himself, since the coin passes from hand to hand, and rapidly becomes common property. These reasons seem sufficiently to dispose of the first of the above objections to free coinage. With regard to the second, we venture to think that it has no foundation in a country where there is only one standard of value. When such an argument is brought forward with respect to England, it is, we believe, founded on the misunderstanding occasioned by the false use of the word 'price.' There can really be no such thing as a price for a metal where that metal is the only standard. Were silver a standard metal of the country, to say that the price of a pound troy of standard gold is £46 14s. 6d. would mean that it was worth 934½ silver shillings, but, as it is, it amounts to nothing more than saying that the price of a thing is *itself*, or, for example, that the price of a ton of coals is a ton of coals of the same quality. It must be clearly understood that £46 14s. 6d. is properly only *another name* for one pound troy of standard gold. In the words of Locke, who, writing nearly two centuries ago, advocated silver as the standard of value, "an ounce of silver, whether in pence, groats, or crown pieces, stivers or ducatoons, or bullion, is, and always eternally will be, of equal value to any other ounce of silver under what stamp or denomination soever."* It is true that coin is never quite worth its nominal value, because the importer of bullion loses on the unexpressed fractions of the weight and assay, and it may therefore happen that a foreign country in great need of gold will offer a premium on bullion; but it is

* Letter to a Member of Parliament in 1691.

obvious that this premium will never exceed the amount of loss entailed by the melting down of sovereigns purchased at their nominal value, and therefore holds out no inducement to such a course. We shall presently have occasion to view the question of free coinage from another point.

Fourthly, what regulations should exist as to the legal weight of worn coins, and who should bear the loss? This question also has undergone much discussion. According to one theory, the loss should be borne by the Government, because it has occurred while the coins were performing the function of a circulating medium; this is the rule in the United States, Germany, Scandinavia, Russia, and Holland, and it is worth noticing that the loss to the United States in the year 1872-3 on the abrasion of gold coin was little more than ½ per cent.* In this country, Turkey, Portugal, Egypt, and Japan, the law throws the loss on the last holders, and the case is practically the same in France and the other countries belonging to the Latin Convention, though there is no law on the subject. The seeming unfairness of this system to some extent disappears when it is considered that it really affects the large bankers only, who look upon the loss as one belonging to their business. An interesting report by the late Mr. Graham, Master of the Mint, and Colonel Smith, formerly Master of the Calcutta Mint, entertains the question, "What would it cost, first to manufacture the gold currency, and afterwards to keep it in good condition for all time?" In the course of this inquiry it is mentioned that the original cost of the manufacture of each sovereign now issued is about ½d., an estimate almost identical with 2·1 per mille, which is the fixed charge for coining gold in France. The quantity of gold at present circulating in the United Kingdom is valued at £80,000,000,† composed of 68,000,000

* 'Report of the Director of the United States Mint for the year 1873-4,' p. 8.

† This estimate is, however, very uncertain, and a statement of the Master of the Mint, which appears in the 'Report of the Director of the United

sovereigns and 24,000,000 half-sovereigns; the average time in which the coin falls below its least current weight is given as eighteen years for a sovereign, and ten years for a half-sovereign. The result of the calculation gives £1 8s. 1½d. as the amount that must be paid down for £100 in sovereigns, and £3 4s. 8d. as the amount that must be paid down for £100 in half-sovereigns. Assuming the respective circulation of these coins to remain in the present proportion of 68 to 24, it is found that the sum of £1 13s. 6d. will defray the cost of coining and perpetually keeping in repair £100.

Fifthly, the question whether the actual operations of coinage should be performed by contract or by the Government, though it perhaps lies beyond the plan of this chapter, is deserving of some notice. The Deputy Master of the English Mint in his Report for 1870 strongly opposes the contract system. He says, "The principal mints in Europe in which the contract system is now in force are those of Paris, Brussels, and Utrecht, and, at first sight, it might seem that it is to the advantage of a government to contract with responsible persons, and under proper securities, for the performance of duties which involve some risk of loss and demand much special knowledge. It is to be observed, however, that, apart from the necessity of entering into an agreement which will prove profitable to himself, a contractor will only be found willing to undertake the coinage of precious metals on the condition of being constantly relieved by the supervision of government officers from the responsibility under which he will lie of producing coins of good workmanship and of proper weight and fineness. This supervision, which must be entrusted to persons well versed in the different processes of minting, would necessarily involve the employment of a staff of officers who might themselves, with no increase of expenditure, be charged with the responsibility of coining." It may on the other hand be urged that in most

States Mint for 1875-6,' places the amount in circulation on the 31st December, 1875, at £118,560,000.

other concerns a contract system has been tried and found successful, for the reason that a contractor who is consulting his own gain always manages the business with greater economy than a paid official is likely to do, and can therefore afford to offer terms more advantageous than those at which the Government can do their own work.

The merits and demerits of either system are, however, hardly matters for general arguments, as so much depends upon the surrounding circumstances particular to each country. The question, regarded as an individual one for this country, may be more conveniently resumed later on.

It is evident that the many differences, not only in the coinage regulations, but in the very unit and standard of value of the chief commercial countries, render it hard to solve the problem of an international currency. The question has, indeed, received much attention during the last twenty years, and the arguments brought against any such scheme have hitherto proved strong enough to defeat it. It is not to be disputed that the period of transition would be attended by certain obstructions to commerce. There must be a subversion of all valuations in every country except that whose unit of value is chosen, or in every country if an entirely new unit be preferred; and the impossibility of exactly converting a duodecimal into a decimal system of accounts, or *vice versâ*, becomes in itself a very serious consideration when it is remembered that the property of the civilised world is expressed about as much in the terms of one system as in those of the other. But there can be little doubt that these difficulties have been exaggerrated by those interested in keeping things as they are, and the monetary conventions of the last few years are sufficient evidence that they can be overcome. It is to be hoped, therefore, that the lasting benefits which it is on all hands admitted that an international coinage would secure may before long outweigh considerations of temporary inconvenience. In this fortunate event, it would be better to make a

certain weight of standard gold identical with a certain number of coins. This, as we have seen, was the principle on which the old English silver system was based, and it was also one of the results of the restoration of the coinage at the close of the reign of Edward VI. Assuming, for instance, 100 grammes to be the unit of weight of universal adoption, its equivalent in coin would be twenty-five half sovereigns,* and this exact correspondence of the integers of weight and of value would go far to dispose of the present confusion respecting the 'price' of gold to which we have above alluded.

Without, therefore, admitting the establishment of an international coinage to be impossible, yet until the renewal of the mutual confidence which the commercial crises of late years have so materially shaken, it may be so accepted. It is, therefore, worth while to consider whether its advantages may be to any extent attained in a way free from its immediate inconveniences. It must be remembered that a coin is simply a piece of metal bearing on its obverse its certificate of weight and fineness. A weight of metal without any device at all is *intrinsically* just as valuable as the most elaborate coin, and it would be so *practically*, if its value could be attested by any other means. For the purpose of a national coinage, however, no means are so efficient; but the case is different when large international differences are considered, which might be settled equally well in bullion as in coin. Such an agreement would at once obviate two of the chief disadvantages which it is proposed to remedy by an international coinage. There would be no necessity to establish a relation between the moneys of account of any two countries; and as bullion is valued by assay and weight, while coin depends very much for its current

* The precise standard weight of a half-sovereign is 3·99402 grammes; but a half-sovereign weighing 4 grammes would still be within the remedy of weight, and the alteration of the present coin would therefore be hardly perceptible. We have, however, merely noticed this approximate agreement in illustration of the principle we support, and not with the idea of suggesting any particular method.

value on repute, feelings of distrust in the fineness of foreign coin would also cease to prejudice the interests of commerce. Indeed, however excellent the coinage of a country may be, there must always be a turn in the shape of the unexpressed fractions of the assay and weight, which gives bullion the preference; and thus, to put the point broadly, when a man buys coin he pays for more than he gets, and when he buys bullion he gets more than he pays for. To these arguments it may be added that ingots are more cheaply packed than coin, and are less liable to lose weight by friction during transit. But it is vain to hope for this system of settlement as long as bullion continues in its present relation to coin. It is now everywhere subject to a disadvantage averaging about 2d. per oz., which is chiefly occasioned by the existence of a charge for coinage. We have already spoken of the unfairness and bad policy of this charge, in whatever form it is levied, but we now condemn it on broader principles, as the main obstacle to the attainment of the most important advantages which might be secured without any of the immediate inconveniences of a change of the money of account of any country. Another circumstance which operates to the prejudice of bullion is the loss in weight and assay, and this is especially the case in England, the lowest weight recognized by the Bank of England being 12 grains troy, while the fineness of gold is only reported to the 3000th part. In France the margin of weight may be taken as $1\frac{1}{2}$ grains troy, and the assay is reported to the 10,000th part; these differences are equivalent to about 6d. per cent., or $\frac{1}{4}$d. per oz., and this is often sufficient to induce the export of bullion (which is constantly moved in very large quantities for the sake of very small profits), and therefore to affect the interest of money, which the Bank of England is obliged to raise in order to, in the common phrase, "protect its gold." In no country indeed is the absolute freedom of bullion so essential as in England, which is the greatest channel for its circulation, and so far has this necessity been appreciated that the Bank of England in 1871, by

altering their system of reporting assays, sacrificed a portion of their profits on coinage in the interests of the importer to the extent of about ½d. per oz.

To place bullion in its proper position in England three things are, then, absolutely necessary: its price paid by the Bank should be £3 17s. 10½d. per oz.; it should be weighed to within the 10th of a gramme, or about 1½ grains, the limit in France; and it should be assayed to the 12,000th part, in harmony with the duodecimal system. Something like uniformity would thus be gained, and England would compare favourably with those countries which assay to the 10,000th part; with them 9000 represents "standard," and 10,000 "fine;" with us 11,000 would represent "standard," and 12,000 "fine." The change would enhance the buying price of bullion in England about 1¾d. per oz., and thereby encourage its import and retard its export, and would prevent the frequent movements of bullion which now interfere with the rate of interest. It is true that, if the charge for coinage were everywhere *exactly the same*, these objects would be almost equally served; but would not this exact equivalence mean nothing more than the accomplishment of that very international system which we are so often assured is impracticable? Moreover, it is for England to set the example of equalizing the real and factitious values of bullion; we have endeavoured to show that, if it is not followed, it must nevertheless be beneficial to England herself, and that if, on the other hand, its good effects are such as to induce a general reform, we may hope for great and universal facilities to commerce.

In further pursuit of these objects, we would suggest certain alterations in the relations between the Government and the Bank of England. In 1780 it was proposed by Edmund Burke that the Bank and the Mint should be made one establishment; the scheme was, however, soon afterwards abandoned. But the almost universal monetary reforms of the past century render the question more urgent than before. It might not be convenient to conduct the operations of minting in the

Bank itself, but, if not under one roof, it would be advisable that the issue department of the Bank and the Mint (in so far at any rate as the gold coinage is concerned) should be under one management. By this means the importer would be spared the expense which he now incurs for the assay of his bullion; for though the Mint assays bullion free of charge, the importer loses this advantage in consequence of the Bank being the intermediary channel, and, in fact, a double expense is incurred. The amalgamation of the Bank and the Mint would also dispose of many anomalies in the present systems of reporting the assays. The old system of dividing the troy pound into twenty-four carats is still nominally retained at the Mint; but the assays are really conducted on the millième system, and the results are then converted into carats and carat-grains, and are so reported. Again, the carat system is itself imperfect, for, though the lowest term used is the troy grain, the one-eighth of a carat-grain is also used, which is equivalent to seven and a half grains troy. The Mint reports therefore acknowledge a weight containing a term lower than the lowest term taken singly, this alone being a surprising inconsistency; they are moreover only approximations obtained by the conversion of the modern millième terms, the two systems having nothing in common; and, above all, the Bank assays are reported upon a duodecimal system which has no connection with either one or the other.

But though the abolition of the Mint and the union of the minting and bullion departments, as in the United States, for instance, appear to be necessary articles of a complete monetary reform, they are by no means important to the success of the other alterations we have suggested. The establishment of a common buying and selling price of gold could be effected without any disturbance of the Mint, and with very little trouble, as the leading commercial countries could without difficulty come to an agreement as to the unexpressed margins in the weight and assay of bullion.

With regard to the position of the Bank of England,

we would propose that it should be subsidized by the Government for the conduct of the Issue department, as is already done in the case of the National Debt; the profit on the trade of bullion and foreign coins would thus be included in the general charge.

Here follows the coinage of England from Athelstan, A.D. 925, to Victoria. The denominations only of the coins are given as they were issued in the different reigns:

Coinage of England.

Athelstan, A.D. 925, to Henry II, A.D. 1189, silver pennies only.

Richard I . . .		No English money.
John		No English money.
Henry III . .	*Gold*	Pennies.
„ . .	*Silver*	Pennies.
Edward I . .	*Silver*	Groats, pennies, halfpennies, farthings.
Edward II . .	*Silver*	Pennies, halfpennies.
Edward III . .	*Gold*	Florin, half-florin, quarter-florin, noble, half-noble, quarter-noble.
„ . .	*Silver*	Groat, half-groat, penny, halfpenny, farthing.
Richard II . .	*Gold*	Noble, half-noble, quarter-noble.
„ . .	*Silver*	Groat, half-groat, penny, halfpenny, farthing.
Henry IV . .	*Gold*	Noble, half-noble.
„ . .	*Silver*	Groat, penny, halfpenny.
Henry V . . .		No English money.
Henry VI . .	*Gold*	Angel, angelet.
„ . .	*Silver*	Groat, penny, halfpenny.
Henry IV, V, or VI	*Gold*	Noble, half-noble, quarter-noble.
„ . .	*Silver*	Groat, half-groat, penny, halfpenny, farthing.
Edward IV . .	*Gold*	Rose-noble, half-noble, quarter-noble, angel, angelet.
„ . .	*Silver*	Groat, half-groat, penny, halfpenny, farthing.
Edward V . .	*Gold*	Angel, angelet.
„ . .	*Silver*	None.
Richard III . .	*Gold*	Angel, angelet.
„ . .	*Silver*	Groat, half-groat, penny, halfpenny, farthing.
Henry VII . .	*Gold*	Sovereign, rose-noble, angel, angelet.
„ . .	*Silver*	Shilling, groat, half-groat, penny, halfpenny, farthing.
Henry VIII . .	*Gold*	Sovereign, half-sovereign, rose-noble, crown, half-crown, angel, half-angel, quarter-angel, George-noble.
„ . .	*Silver*	Shilling, groat, half-groat, penny, halfpenny, farthing.

Edward VI . .	*Gold*	Three-pound piece, sovereign, double-sovereign, half-sovereign, quarter-sovereign, half-crown, angel.
„ . .	*Silver*	Shilling, groat, half-groat, crown, half-crown, penny, halfpenny, farthing.
Mary . . .	*Gold*	Sovereign, royal, angel, half-angel.
„ . . .	*Silver*	Half-crown, shilling, sixpence, groat, half-groat, penny.
Philip and Mary .	*Gold*	None.
„ .	*Silver*	Half-crown.
Elizabeth . .	*Gold*	Sovereign, pound-sovereign, half-pound, quarter-pound, half-quarter-pound, royal, angel, half-angel, quarter-angel.
„ . .	*Silver*	Crown, half-crown, shilling, groat, half-groat, penny, sixpence, threepence, twopence, three halfpence, three farthings.
James I . .	*Gold*	Rose-royal, spur-royal, angel, half-angel, pound-sovereign, unite, laurel, half-sovereign, half-unite, double-crown, half-laurel, quarter-sovereign, Britain-crown, quarter-laurel, thistle-crown, half-crown.
„ . .	*Silver*	Half-groat, shilling, sixpence, half-crown, crown.
„ . .	*Copper*	Pennies.
Charles I . .	*Gold*	Three-pound piece, angel, unite, double-crown, British-crown.
„ . .	*Silver*	Twenty-shilling piece, crown, half-crown, shilling, sixpence, groat, threepence, half-groat.
„ . .	*Copper*	Pennies.
Oliver Cromwell .	*Gold*	None.
„ . .	*Silver*	Crown, half-crown.
„ . .	*Copper*	Farthing.
Commonwealth .	*Gold*	Unite, half-unite, crown.
„ .	*Silver*	Crown, half-crown, shilling, sixpence, half-groat.
Charles II . .	*Gold*	Twenty-shilling piece, double-crown, crown, five-guinea piece, two-guinea, one-guinea, half-guinea.
„ . .	*Silver*	Crown, half-crown, shilling, sixpence, fourpence, threepence, twopence.
„ . .	*Copper*	Halfpenny, farthing.
James II . .	*Gold*	Five-guinea, two-guinea, one-guinea, half-guinea.
„ . .	*Silver*	Crown, half-crown, shilling, sixpence, fourpence, threepence, twopence.
„ . .	*Copper*	Halfpenny, farthing.
William and Mary .	*Gold*	Five-guinea, two-guinea, one guinea, half-guinea.
„ .	*Silver*	Crown, half-crown, shilling, sixpence, fourpence, threepence, twopence.
„ .	*Copper*	Halfpence, farthing.

William III	*Gold*	Five-guinea, two-guinea, one-guinea, half-guinea.
„	*Silver*	Crown, half-crown, shilling, sixpence, fourpence, threepence, twopence.
„	*Copper*	Farthing.
Anne	*Gold*	Five-guinea, two-guinea, one-guinea, half-guinea.
„	*Silver*	Crown, half-crown, shilling, sixpence, fourpence, threepence, twopence.
„	*Copper*	Halfpenny, farthing.
George I	*Gold*	Five-guinea, two-guinea, one-guinea, half-guinea, quarter-guinea.
„	*Silver*	Crown, half-crown, shilling, sixpence, fourpence, threepence, twopence.
„	*Copper*	Halfpence.
George II	*Gold*	Five-guinea, two-guinea, one-guinea, half-guinea.
„	*Silver*	Crown, half-crown, shilling, sixpence, fourpence, threepence, twopence.
„	*Copper*	Halfpence.
George III	*Gold*	One-guinea, half-guinea, seven-shilling piece, quarter-guinea, sovereign, half-sovereign.
„	*Silver*	Crown, half-crown, shilling, sixpence, fourpence, threepence, twopence.
„	*Copper*	Twopence, penny, halfpenny, farthing.
George IV	*Gold*	Double-sovereign, one-sovereign, half-sovereign.
„	*Silver*	Crown, half-crown, shilling, sixpence, fourpence, threepence, twopence.
„	*Copper*	Farthing.
William IV	*Gold*	Sovereign, half-sovereign.
„	*Silver*	Crown, half-crown, shilling, sixpence, fourpence, threepence. twopence.
„	*Copper*	None.
Victoria	*Gold*	Sovereign, half-sovereign.
„	*Silver*	Crown, half-crown, florin, shilling, sixpence, fourpence, threepence.
„	*Copper*	Penny, halfpenny, farthing.
„	*Bronze*	(1860) Penny, halfpenny, farthing.

CHAPTER XIV.

CURRENCY.

In these enlightened times it is hardly necessary to enlarge upon the evils attending a forced or inconvertible currency. When a firm in business cannot meet their acceptances and are compelled somehow or other to get them renewed, they are doing much the same thing as a government that issues a forced currency. If a government cannot meet the national obligations, either due to its own subjects or to foreigners, a foreign or internal loan is had recourse to. Failing success there are two alternatives; one is not to pay and thereby make a public declaration of bankruptcy, or to force a loan out of the people by compelling them to accept for all government payments an inconvertible medium of exchange; in other words, to adopt a paper currency which is based practically on nothing but the national credit. In proportion as this inconvertible paper money is forced into circulation prices nominally rise, and the precious metals disappear. Currency should be supplied to all countries automatically, as is the case where either the precious metals exclusively circulate, or where metals and paper convertible into metals on demand circulate. According to the varying wants of the trading community so should the amount of currency in circulation vary. The currency requirements of the non-trading portion of the community have been shown to vary so little in ordinary circumstances, that the fluctuations in the amount of currency in circulation may be said to be governed either by the course

of trade, or the changes in the condition of a nation's special industry, or the arts which its people may practise. It is a well known fact that the power to issue inconvertible paper currency has always been abused. The depreciated currency has existed in Russia, for instance, for more than a century. Imperial edict repeatedly placed a limit to the issue, but it was always exceeded; apart from the trouble and annoyance occasioned to all engaged in foreign business by the existence of a depreciated currency, it encourages speculation with its attendant evils, gives rise to false hopes of future profit, and brings suffering upon every individual who has a fixed income from whatever source derived.

It may be useful just for a moment to consider the difference between forcing into circulation a metallic or convertible currency and an inconvertible. Suppose, for example, a manufacturing town provided itself with an extra supply of coin to pay its wages with, and that this money flowed into the various markets to purchase commodities, what would be the result? Prices must of necessity rise through the currency becoming redundant. Exportation would rapidly diminish and importation as rapidly increase. The country in this position would soon have a heavy foreign balance against it, the exchanges would become adverse, and gold would flow out and be distributed, each nation taking its share according to its wants and commercial standing. In the case mentioned prices would rise really through the actual increase in the quantity of that commodity by which the price of the others was measured. In the case of an inconvertible currency being forced into circulation through the necessities of the State, prices do not rise as in the instance before stated; they rise in a negative as compared to a positive sense. The prices do not actually rise, but the currency falls, the proof of which is that the metallic currency disappears from circulation.

The rapid progress which some nations have made in the acquisition of wealth has been held by some writers, Jacob for instance, to be due in a large measure to the

opportunities afforded them by the increase in the quantities from time to time of the precious metals in circulation. This is a point deserving of attention, and one in the consideration of which we are very liable to be led into erroneous deductions. It is scarcely necessary to do more than quote a remark of Mr. J. S. Mill on the point. He says "Although therefore Mr. Senior is right in pointing out the great efficiency of English labour as the chief cause why the precious metals are obtained at a less cost by England than by most other countries, I cannot admit that it at all accounts for their being of less value; for their going less far in the purchase of commodities." The effect of a rise of prices in one country as the result of an increase of the precious metals is a stoppage of exportation and an increase of importation as we have stated, until the redundant currency leaves the country and distributes itself. Although this process was undoubtedly slower hundreds of years ago than it is now, it must always have been in operation between commercial countries using the precious metals as currency, in a greater or less degree, and therefore we are unable to see how any one country could gain any very great advantage merely by the action of a rise in prices through an increase in the precious metals.

Jacob says during the existence of the Saxon Heptarchy in England it is probable the scarcity of money and the depression of prices reached the lowest point. In those parts of Britain where coins were very scarce almost all debts were paid and purchases made with 'living money'—that is, slaves, horses, cows, sheep, &c. This was so much the case that it is much doubted if any coins were struck in those countries in the Saxon period.

It was estimated that between the arrival of the Saxons and the Norman conquest the money in western Europe was a twelfth or fifteenth of the stock in 1831, and that a large portion was accumulated in eastern Europe, and especially at Constantinople, the seat of the remnant of the Roman Power, where it remained, or a large proportion of it, till the final conquest of that city

by the Turks. Money was as scarce in France also. Copper bore a higher value in proportion to silver than it did at the above date.

It is related that in the time of Solon (550 years before Christ) an ox in Athens cost five drachmas or nearly three shillings, a sheep one drachma or sevenpence three farthings, and a medimnus of corn or one bushel and three gallons the same as a sheep; but prices rose gradually to five times, in many cases to ten or twenty times their former amount, which after the example of more recent times does not seem surprising. The quantity of money was not only increased, but through a rising population and extended intercourse its circulation was accelerated.

From the time of Solon for a period of about 200 years prices were continually rising, and though they fluctuated with the productiveness of the seasons they were never so low again as in the time of Solon. Corn which at one period was at one drachma rose in two centuries to treble that price, and in one century more to five times as much as at the first. The advance in prices was peculiarly rapid after the concentration of the contents of the chief mines in the hands of the Roman Government.

From the death of Augustus the conversion of the precious metals into coin had been extended and almost universally prevailed. The founding of Constantinople tended rather to draw the precious metals to the eastern side of Europe, thereby weakening the industry and productive power of Italy. The silver mines found in Germany in the tenth and following centuries gradually increased the quantity of money and the price of necessaries before the discovery of America, which probably had the effect of checking the discovery in France as it had in other parts of the Continent.

By the statistics that have been collected of the amounts of silver and gold that were taken to the Mints in earlier times it appears that in the 237 years from 1272 to 1509 the silver amounted to £1,185,198, and the gold to £446,908 in the money of our time, by which

it is seen that the amount of coined gold and silver money at the time of the discovery of America was very minute when compared with the quantity which has been brought into circulation since, and when compared also with the amount in existence when the Roman empire was at the height of its grandeur and power. There is consequently reason to suppose that the additional quantity of gold and silver brought into circulation between the years 800 and 1500 was not much if any more than was required to keep the stock of the last of those years to as high a standard as it had reached in the first of them; and it is estimated that the quantity must have remained nearly the same from the prices of commodities not having changed. The small quantity of gold and silver in existence during that period may be inferred from the very small portion of coined money which was issued from the several Mints after the operations of coining were performed exclusively by the chiefs of the several kingdoms, or by those to whom that privilege was granted.

It is estimated that during the period from about the year 800 to 1500 the mines of the ancient Continent produced far less of the precious metals in the average of the seven centuries than they did in the century closing in 1800. The average product of the mines of Europe including the mines of Russia in Asia did not in the last twenty years of the eighteenth century amount to more gold than is equal to £200,000. Of this more than half was produced by the Russian mines which afforded none before 1704. The greater part of the remainder was yielded by Austria, and the rest by Saxony, Prussia, and Hanover.

In the same twenty years the silver produced on an annual average was as follows :—Russia £150,000, Austria £200,000, Saxony £100,000, Prussia and Hanover, including the small share of Brunswick in the Hartz £110,000, and all the other mines about £40,000.

It is believed that the crusades which was the means of moving the population and riches of the western world

to the limits of Asia caused an influx of the precious metals to the Greek empire, some portion of which probably was brought back again to the west by the commerce of the Venetians, Genoese, and Pisans in exchange for the commodities which those divisions of Europe produced.

We are informed that during the middle ages, when gold in Asia and Africa was worth no more than eight or nine times its weight in silver, it was worth in Europe, and especially in the west from ten to thirteen times its weight.

The plunder of Constantinople by the Venetians and other of the Crusaders we are told probably transferred more of the precious metals to western Europe than all the commerce of the centuries that preceded it. Gibbon says that the Emperor Alexius paid to the Marquis of Montserrat the enormous sum of 1600 pounds of gold, and that on the second capture, when the city was delivered over to the allied armies, the booty of the captors which was brought to the public account besides what was recently appropriated by individuals amounted to £800,000. It is not improbable that the soldiers of the cross may have carried to the east more of the precious metals than ever returned to that part of Europe.

In the early progress of civilisation the system of agriculture must necessarily be bad. With bad agriculture the variations in productiveness of different years will be greater than in an improved state of culture. The great fluctuations in the value of corn in former ages have risen from a want of capital by which a part of the surplus produce of the most productive years might be retained to meet the exigencies of following years of scarcity. In those times there was no other kind of wealth in existence beyond that which could be saved from the surplus produce of the earth. Complaints heard in later times of a want of currency in countries are based on this fallacy. If there is no surplus wealth or capital to exchange for it how can there be currency?

With no purchasers to buy surplus produce and store it, its value would obviously fall until it scarcely repaid the labour that had been expended on the crops.

The latest revolution in the currency systems of the leading nations of Europe, England excepted, which commenced virtually from the moment France lost Alsace and Lorraine, created a greater disturbance in the trade of the world than had been experienced since the effects produced by the discovery of the American mines, and as we write a system is passing away, swept before one of those irresistible waves which through a long period of time has been gathering strength until with its own weight it breaks and sweeps away the old landmarks and begins to groove out for itself a new channel. We refer to the demonetization of silver by Germany and Holland, a movement which had its origin in the power given to the Germans to adopt the gold standard by means of the war indemnity money paid by France. Our immediate object here is not so much to trace out the effects produced at once upon neighbouring nations having a silver standard by the decision of Germany to adopt gold, as to endeavour to reason out and forecast the ultimate consequences to the various currency systems of Europe which is likely to result from the course pursued by the Germans. We will, however, briefly advert to some of the circumstances which arose from the great disturbance occasioned by Germany demonetizing her silver currency at a time when the trade of the world was stagnant.

Although the action taken by Germany in 1873 was the primary cause of silver falling to so low a price in the early months of 1876, it must be borne in mind that there were other powerful influences gathering strength to operate upon the silver market in a similar direction which had been so far simply held in check by the prudence of the authorities directing the currency systems of France, Italy, Belgium, and Switzerland.

It is worthy of remark that similar fears were entertained on the discovery of the Californian and Australian

mines in 1849. From that period gold became extremely abundant, and it was expected silver would fall into disuse; but by the natural course of things the depreciation of silver which occurred between 1845 and 1848 soon disappeared. In 1865 from transitory causes silver became so scarce that not only the five-franc pieces, but the small denomination disappeared from the circulation in France. For the purpose of preventing the token money from being thus withdrawn from circulation the Latin union held a conference and decided upon a remedy which had been introduced by the United States and adopted by Switzerland in 1860, which was an abasement of the coinage from 900 to 835 millièmes the pieces of two francs, one franc, fifty and twenty centimes, covenanting that the issue of this new token money should be limited in each of the four States to in all six francs per head.

This convention was not ratified by the powers interested until after the cause which gave rise to it had ceased to operate. The influence which had caused silver to flow towards Asia declined, and the relative value of the two metals recovered its equilibrium. The conference held in 1865 had, however, another consequence. The four states constituted themselves into a monetary union with the view of adopting a common currency of gold and silver five-franc pieces of the same dimensions, weight and fineness, which should be accepted by the public banks of all the states, and a further conference in 1867 resulted in the projection of a treaty with Austria by which that nation was to join the union. At the end of the year 1873, when Germany signified her intention of demonetizing silver, which had the immediate effect of depreciating its market value, some of the States in question deemed it advisable to protect themselves from an invasion of the metal. No restrictive measures obviously would be of any avail while any one of the states forming the union was able to coin money as agreed upon and circulate it beyond its own frontiers. In January of 1874 the conference was again held, on its being evident

that the demonetization by Germany of her silver would result in these States being invaded with the metal, and for the existing resolutions were substituted those which put a limit upon the coinage of silver during that year.

Les délégués et commissaires plénipotentiaires à la Conférence monétaire de 1874 a Paris, Messrs. Feer-Herzog and Lardy thus forecast, and probably accurately, the position the Latin union would have found themselves in if they had allowed matters to take their course when Germany signified her intention of demonetizing silver. "Supposons maintenant qu'on ait laissé aux événements et à la spéculation leur libre cours, qu'aucune entente n'ait pu se produire entre les quatre signataires de la Convention, que serait-il arrivé? Le double étalon aurait produit son effet tout entier, les monnayages d'argent auraient continué avec une plus forte activité qu'en 1873. L'or restant encore en Belgique et en Suisse aurait d'abord complétement disparu; les réserves latentes de la France, auraient ensuite été entamées à leur tour pour être également transformées en argent, et au bout d'un petit nombre d'anneés, les pays de la Convention, se seraient vus irrévocablement livrés à l'étalon d'argent et hors de possibilité à cause de la baisse de ce métal, de se reconstituer une circulation d'or."

At this period the position was consequently this as regards the projected action of those States that had not already adopted measures to prevent their currencies and commerce from being disturbed by the downward course of the market, which it may be remarked was due as much to overwrought apprehension and the speculative operations of the Indian banks as to the excess of the supply of silver over the demand; England, except as regards her Indian Empire and the trade generally with the East, was as a matter of course indifferent, and did nothing but appoint a committee of the House of Commons to report on the causes of the fall and endeavour, by the adoption of the questionable policy of withholding the Treasury balances from the Indian State Banks, arti-

ficially to raise the Indian exchanges by making money scarce in the markets of Calcutta and Bombay.

By the new monetary laws of Scandinavia gold was being already substituted for silver and paper; Holland in a panic commenced to demonetize silver and established a gold standard, which was also the case with Japan, and there was every prospect of the United States and France following suit. Here then we may say that England, Germany, France, Holland,* Scandinavian Kingdoms, Japan, United States, Roumania, and Greece would in future only require silver as token money. The theory of a double standard has been long since shown to be impracticable before there were any signs of the revolution which had now broken out, and consequently to propose seriously as some theorists did its general adoption at such a period when it had been unsuccessfully tried for years was nothing short of Quixotic.

Among the other noteworthy causes which so depressed the price of silver we have in the first place as demanding priority of notice a stagnant state of trade throughout the world which had never been more complete. When production in all countries has fallen to a minimum it stands to reason that less circulating medium will be required everywhere, and that the holders of large stocks of silver could not have elected to throw it on the markets of the world under more disadvantageous circumstances as regards the general interests.

The following figures, which have been compiled by a very competent authority, show at a glance what were the prospects of the silver market from the point of view of supply from the mines.

* The question of the standard of Holland is in abeyance as we write.

Production of gold and silver throughout the world in the years 1852—1875 *inclusive.*

I.—Production of Gold.

[*Note.*—The amounts are given in millions and tenths of millions sterling.]

	Australia.	United States.	Mexico and S. America.	Russia.	Other Countries.	Total.
1852	20·6	12·	1·	2·4	·5	36·5
1853	14·1	13·	1·	2·4	·5	31·
1854	9·5	12·	1·	2·4	·5	25·4
1855	12·1	11·	1·	2·4	·5	27·
1856	14·3	11·	1·	2·7	·5	29·5
1857	11·4	11·	1·	2·7	·5	26·6
1858	10·7	10·	1·	2·7	·5	24·9
1859	10·8	10·	·9	2·7	·5	24·9
1860	10·5	9·2	·9	2·7	·5	23·8
1861	9·8	8·6	·9	3·	·5	22·8
1862	9·3	7·8	·9	3·	·5	21·5
1863	8·9	8·	·9	3·1	·5	21·4
1864	9·1	9·2	·8	3·	·5	22·6
1865	8·8	10·6	·8	3·3	·5	24·
1866	8·8	10·7	·8	3·4	·5	24·2
1867	8·3	10·3	·7	3·4	·5	23·2
1868	9·7	9·6	·6	3·6	·5	24·
1869	9·3	9·9	·5	4·	·5	24·2
1870	7·7	10·	·5	4·5	·5	23·2
1871	8·6	8·7	·7	4·8	·5	23·2
1872	7·3	7·2	·7	4·6	·5	20·3
1873	7·8	7·2	·7	4·5	·5	20·7
1874	5·9	6·4	·8	4·5	·5	18·1
1875	5·7	8·	·8	4·5	·5	19·5

Five Years' Average of Total.

1852-56	29·9
1857-61	24·6
1862-66	22·7
1867-71	23·6
1871-75	20·4

II.—Production of Silver.

[*Note.*—The amounts are given in millions and tenths of millions sterling.]

	United States.	Mexico and S. America.	Russia.	Other Countries.	Total.
1852	—	6·	·1	2	8·1
1853	—	6·	·1	2	8·1
1854	—	6·	·1	2	8·1
1855	—	6·	·1	2	8·1

	United States.	Mexico and S. America.	Russia.	Other Countries.	Total.
1856	—	6·	·1	2	8·1
1857	—	6·	·1	2	8·1
1858	—	6·	·1	2	8·1
1859	—	6·	·1	2	8·1
1860	—	6·	·1	2	8·1
1861	·4	6·	·1	2	8·5
1862	·9	6·	·1	2	9·
1863	1·7	6·	·1	2	9·8
1864	2·2	6·	·1	2	10·3
1865	2·3	6·	·1	2	10·4
1866	2·	6·	·1	2	10·1
1867	2·7	6·	·1	2	10·8
1868	2·4	5·5	·1	2	10·
1869	2·4	5·	·1	2	9·5
1870	3·2	5·	·1	2	10·3
1871	4·6	5·5	·1	2	12·2
1872	5·7	5·2	·1	2	13·
1873	7·1	4·8	·1	2	14·
1874	7·2	5·	·1	2	14·3
1875	9·	5·	·1	2	16·1

FIVE YEARS' AVERAGE OF TOTAL.

1852-56	8·1
1857-61	8·2
1862-66	9·9
1867-71	10·6
1871-75	13·9

III.—TOTAL PRODUCTION OF GOLD AND SILVER TOGETHER.

[*Note.*—The amounts are given in millions and tenths of millions sterling.]

1852	44·6	1864	32·9
1853	39·1	1865	34·4
1854	33·5	1866	34·3
1855	35·5	1867	34·
1856	37·6	1868	34·
1857	34·7	1869	33·7
1858	33·	1870	33·5
1859	33·	1871	35·5
1860	31·9	1872	33·3
1861	31·3	1873	34·7
1862	30·5	1874	32·4
1863	31·2	1875	35·6

Note.—The authorities for the above figures are (1) for Australia—the Register of Statistics of Victoria and New South Wales, published by the

Colonial Governments; (2) for United States, Mexico, and South America, and Russia—Reports of the Director of the United States Mint, 1874, 1875; and (3) for "other countries"—the same as No. 2, production of 1871 taken as an average, no details being obtainable. For 1875, the figures for the United States are taken from a summary published in San Francisco, and for Australia and Mexico, &c., from the imports of the year.

The authority to whom we refer in presenting these statistics to the public stated, "I am not concerned to discuss the policy of Germany in adopting a gold standard, but I submit that the figures of the enclosed table prove that the demonetization of silver was 'ill-timed,' for not only was the production of gold falling off, and that of silver increasing, but there had been for some years a diminished demand for the latter. I maintain that had Germany simply decided to replace her silver with gold, as opportunity offered, she might, within a very few years, have accomplished her object without incurring the serious loss caused by the plan she adopted, and without disturbing the Eastern exchanges. This is what France did during the Empire, and the operation was, as is well known, very successful.

The throwing on the market by Germany of a milliard of silver concurrently with another disturbing cause, the exportation of a large amount of England's stock of gold, in consequence of the American crisis, set all interested in maintaining the value of silver to work, to devise means for meeting what was seen to be a more serious movement as affecting the silver standard currencies than had been witnessed since the effects produced by the discovery of the American mines. Attention was then directed to a set of circumstances which at a glance told the far-seeing that it would be useless to attempt to oppose a current that had been for a long time gathering strength unobserved. The supply of silver as shown by the figures already given had been increasing, while the find of gold had for several years past been declining. The effect of this increasing supply upon a stock of silver which had been accumulating more rapidly of late years since the addition of the forced paper currencies of

France, and the United States, to the other States such as Russia, Austro-Hungary, and Italy, did not make itself felt until the subject was investigated. It was then discovered that there were much larger stocks of silver ready to be put into circulation than was supposed. It came to light that the Bank of France, for example, held some seventy millions of the precious metals of which silver formed about a third part, and the Mints of Switzerland, Italy, and Belgium were coining only a small proportion of what they had laid up. Germany held a great quantity in addition to that which had been already thrown upon the market, but for obvious reasons when once the intentions of the German Government were declared they had to a great extent spoiled their own market. Coincidently likewise with these direct influences which had been affecting the price of the metal, there was the exceptional demand for gold from Germany and the United States, and also from Holland on a smaller scale.

The most material negative adverse influence was the depressed state of trade with the East. For years large quantities of the metal had flowed in a continuous stream to pay for the exports of our Indian Empire, and to China to settle the balance of trade, but the stagnation in trade with this quarter of the world which had long prevailed had almost completely closed up this important channel at the most critical moment. By closing up one of the most regular outlets for the surplus supply of the metal, and thus stopping a regular conversion of ingots into currency the depreciation was naturally much intensified. Lastly, and what is perhaps of more importance, looking to the more distant future, than any of the other circumstances referred to, was the increasing production from the mines and particularly the new mines that had been discovered in Nevada, one of the States of North America. In this district, which is bounded on the west by California, on the south by California and Arizona, on the east by Utah and Arizona, and on the north by Oregon and Idaho, extraordinarily rich veins of silver had been struck. In

one of the mines, moreover, where the gold and silver was discovered together, the production of the latter was a secondary consideration, the chief object being to extract the gold.

The 'Financial Review' (annual) for 1876, published by Messrs. W. B. Dana and Co., of New York, gives among a mass of other valuable information the following tables taken from the annual Government reports of the contribution of the mines of the United States to the world's supply of the precious metals prepared by Professor Raymond, Commissioner of Mining, and by Dr. Linderman, Director of the Mint.

The subjoined extract from Professor Raymond's report for 1874 shows his figures for the States and Territories west of the Rocky Mountains:

Production of Gold and Silver in the United States for year ending December 31st, 1874.

	Gold.	Silver.	Total.
Arizona	$350,000	$137,000	$487,000
California	19,000,000	1,300,531	20,300,531
Colorado	2,102,487	3,086,023	5,188,510
Idaho	1,397,000	483,004	1,880,004
Montana	3,300,000	544,722	3,814,722
Nevada	14,770,000	20,682,233	35,452,233
New Mexico	300,000	200,000	500,000
Oregon and Washington	763,605	—	763,605
Utah	94,000	3,817,601	3,911,601
Wyoming and other sources	100,000	—	100,000
Total	$42,177,092	$30,251,114	$72,428,206

For 1875 another authority gives the total including Mexico and British Columbia at $80,889,037; deducting the last two items except 1,000,000 for New Mexico, the same amount Dr. Linderman gives, we should have the production of 1875 $77,703,413. Now, if we state the gold the same as in 1874 ($42,000,000) the silver production would be $35,703,413. Bringing forward Professor Raymond's figures of the yield of the mines since 1847 to 1874 inclusive, and for 1875 adding the totals as above stated, we should have the total production as follows:

Gold and Silver production of the United States since 1847.

	Gold.	Silver.	Total.
1848	$10,000,000	$50,000	$10,050,000
1849	40,000,000	50,000	40,050,000
1850	50,000,000	50,000	50,050,000
1851	55,000,000	50,000	55,050,000
1852	60,000,000	50,000	60,050,000
1853	65,000,000	50,000	65,050,000
1854	60,000,000	50,000	60,050,000
1855	55,000,000	50,000	55,050,000
1856	55,000,000	50,000	55,050,000
1857	55,000,000	50,000	55,050,000
1858	50,000,000	50,000	50,050,000
1859	50,000,000	100,000	50,100,000
1860	46,000,000	150,000	46,150,000
1861	43,000,000	2,000,000	45,000,000
1862	39,200,000	4,500,000	43,700,000
1863	40,000,000	8,500,000	48,500,000
1864	46,100,000	11,000,000	57,100,000
1865	53,225,000	11,250,000	64,475,000
1866	53,500,000	10,000,000	63,500,000
1867	51,725,000	13,500,000	65,225,000
1868	48,000,000	12,000,000	60,000,000
1869	49,500,000	13,000,000	62,500,000
1870	50,000,000	16,000,000	66,000,000
1871	43,500,000	22,000,000	65,500,000
1872	36,000,000	25,750,000	61,750,000
1873	36,000,000	35,750,000	71,750,000
1874	42,177,092	30,251,114	72,428,206
1875	42,000,000	35,703,413	77,703,413
	$1,324,927,092	$252,004,527	$1,576,931,619

Since 1860 the addition to the supply of the United States up to the twelve months ending June, 1875, is seen from the following figures of Professor Raymond.

	Gold.	Silver.
Production since 1860 . . .	$719,927,092	$251,354,527
Exports in excess of imports since 1860	678,901,873	186,698,490
	$41,025,219	$64,656,037

Messrs. Wells Fargo of the United States, who keep in their own books statistics of the precious metals

produced in the states and territories west of the Missouri river including British Columbia, and the west coast of Mexico, give the following figures as the results of the operations in 1876. The aggregate yield of $90,875,173 is greater by $9,986,136 than that of 1875.

"The notable increase is in Nevada, which produces more gold than any other State or territory and of gold and silver combined, five ninths of the whole product of the United States. A large gold yield is often claimed for Arizona and New Mexico, but as $2,710,000, or an average of less than $100,000, per year, is the total amount deposited in United States Mints since 1848 as from those territories combined, we think such claims cannot be substantiated. The total yield west of the Missouri River for 1877 may equal that of 1876, but it does not now appear probable. The lead product of Utah, Nevada, and California about equals that of Missouri, Illinois, and Iowa:

States and Territories.	Gold dust and bullion by express.	Gold dust and bullion by other conveyances.	Silver bullion by express.	Ores and base bullion by freight.	Total.
California . .	$14,635,963	$1,463,596	$796,308	$1,719,940	$18,615,807
Nevada . . .	220,803	22,080	44,725,802	4,312,079	49,280,764
Oregon . . .	919,257	229,814	—	—	1,149,071
Washington .	56,702	5,670	—	—	62,372
Idaho	1,182,222	236,444	220,695	35,000	1,674,361
Montana . . .	1,956,553	195,655	274,824	350,000	2,777,032
Utah	47,795	4,779	781,263	4,373,682	5,207,519
Colorado . . .	2,829,877	—	2,796,661	1,364,109	6,990,647
New Mexico .	76,392	—	255,281	18,621	350,294
Arizona . . .	103,528	—	336,564	671,900	1,111,992
Mexico . . .	51,880	—	1,620,656	541,212	2,213,748
Brit. Columbia	1,310,515	131,051	—	—	1,441,566
	$23,391,487	$2,289,089	$51,808,054	$13,386,543	$90,875,173

"The method and form of the foregoing is exactly similar to that of statements which we have compiled since 1870, wherein no attempt was made to show the amount of gold contained in silver or doré bullion, or the lead and copper in base bullion; but the violent fluctua-

tions of silver as compared to gold during the present year render an analysis desirable, and we have spared no pains to arrive at a correct conclusion, and the results are as follows:—In round figures, of $37,000,000 produced from the Comstock Lode this year, $17,125,000, or quite 46 per cent., was gold; of the whole product of Nevada 35 per cent. was gold, and of the total silver product, so called, $18,647,925, or 31 per cent., was gold. The gross yield is constituted as follows:—Gold, $44,328,501; silver, $41,506,672; lead and copper, $5,040,000= $90,875,173. Following the method indicated and the percentages arrived at, for 1871 to 1876 inclusive, for which years we have our own compilations to depend upon, the products separated are as follows:

Year.	Total product.	Lead, &c.	Silver.	Gold.
1871	$68,284,000	$2,100,000	$20,286,000	$35,898,000
1872	62,236,959	2,250,000	20,527,500	39,459,459
1873	72,258,693	3,450,000	28,352,100	40,456,593
1874	74,401,045	3,800,000	30,498,000	40,103,045
1875	80,889,057	5,100,000	34,043,910	41,745,147
1876	90,875,173	5,040,000	41,506,672	44,328,501

"We hoped to segregate the gold, silver, &c., for the years from 1870 to 1861 inclusive also, but no data is obtainable that will stand the test of so careful an analysis as the years of 1871 to 1876, inclusive, have been subjected to, and we see no way of reconciling the discrepancy between $66,000,000 gold and silver published as the estimate of United States officials for 1870 and $56,184,000 shown here for 1871, which was a more productive year by at least $4,000,000 than 1870. We are confident that similar discrepancies or exaggerations as to the product of the United States exist in the estimates usually accepted for the years from 1870 to 1861, inclusive, and possibly all the way back to 1848. Reasoning from what is known as our own country's product as compared with estimates frequently put forth, we are inclined to believe that there is almost universal exaggeration as to the amount of gold and silver produced throughout the world."

As regards the rupee currency of our Indian Empire no little disturbance was caused in that dependency in consequence of the fall in silver and the loss which servants of the Government sustained through the fall in the Indian exchanges. The Government were petitioned on the subject by the Bengal Chamber of Commerce, which resulted in a published statement to the effect that no action would be taken in the matter for the present. Considering all the circumstances, and the important fact that the price of silver had remained steadily at no inconsiderable recovery from the lowest point touched, the decision was no doubt a wise one.

We have given rather much space to the setting forth of the circumstances connected with this currency scare which smote the European governments having a silver standard in 1876, because it preceded what we believe is the beginning of a great currency revolution. The price of the metal having recovered materially, fears which were aroused by its sudden depreciation have been allayed, and may be its value of 58d. or more per oz. will be maintained perhaps for a long time; but we are of opinion that as a standard of value silver has had its day with the foremost nations. It is very desirable that it should be retained as a token currency for several reasons, and its usefulness for this purpose cannot be overestimated. The yearly development of economic science points distinctly to an adjustment of international debts on the 'clearing' system. The transmission to and fro of masses of gold simply for the purpose of gaining a fractional profit is on the face of it a hybrid trade which the national banks should find some means of checking. The Bank of England has taken some steps in this direction by raising its price for United States eagles on different occasions, and we doubt not that the exercise of a little more ingenuity will suffice to reduce this trafficking in gold for a ridiculously small profit can be still further diminished as we have suggested in a previous chapter.

So far as our own understanding of this subject goes we take it to be proved that the only difference in the

changing proportions of the money in circulation to commodities in existence, as compared with the changing proportion in one nation is, that the amount required by individual nations will fluctuate according to circumstances, while the whole currency of the world which is in use will simply shift its place according to its varying redundancy in each country.

A nation requires so much currency to circulate a given quantity of commodities and no more, and no power on earth can keep in circulation in that country more currency than is required for that purpose for reasons which are generally well known, and which, therefore, we need not enter upon here, our object being to endeavour to investigate what we conceive to be the impending changes in the character of the circulating mediums than to inquire into the elementary principles. The movements of the currencies of the different nations of the earth depend consequently upon one fixed law which governs the convertible currencies of all countries upon the same immutable principles. That law is expressed in the word Redundancy. If no more than a certain quantity of currency can be kept in circulation in a country according to the activity of its domestic and international commerce, it follows that the amount required will rise and fall in proportion as the two factors in combined action, the quantity of commodities in existence and the activity with which they are being circulated, call for more or less currency.

CHAPTER XV.

BANK NOTES.

Preliminary remarks.—Establishment of the Bank of England.—Suspension of Cash Payment in 1696.—Increase of the Capital of the Bank.—Acts creating the Bank monopoly.—Issue of Notes for £15 and £10.—Discontinuance of issue of Notes by London Bankers.—Suspension of Cash Payments in 1797.—Issue of £1 Notes.—Effect of the Suspension on the Bank of England circulation.—Depreciation of Bank Notes.—Peel's Currency Bill.—Cash Payments resumed.—Panic of 1825.—Establishment of Branches by the Bank of England.—Country Joint-stock Banks of Issue legalised.—Bank of England Notes made legal tender.—Establishment of Joint-stock Banks in London.—Monetary crisis of 1836.—Monetary crisis of 1839.—Bank Act of 1844.—Clauses affecting the Bank of England.—Clauses affecting the Country Banks.—State of the fixed issues of Country Banks.—Average issues of Country Banks.—Irish and Scotch Banks Acts, 1845.—State of the fixed issues in Ireland and Scotland.—Average issues in Ireland and Scotland.—Average issues of Bank of England.—Average issues of United Kingdom.—Working of the Acts of 1844-5.—Panic of 1847.—Panic of 1857.—Panic of 1866.—Controversy as to the opening of Scotch Banks in England.

In treating of bank notes, which with gold and silver form the basis of the monetary system of this country, it is not intended to go into those abstruse discussions so dear to the hearts of writers on banking and kindred subjects. Whether bank notes are or are not rightly described as "money," whether they should be called "currency," or "circulating medium," have been the themes of endless dissertations in which no two writers agree, save and except that each one characterises what his predecessors have written as absurd.

These minute definitions, interesting as they are in themselves, appear to be somewhat out of place in a practical treatise. It may not be strictly accurate to call

a Bank of England note money, bearing on its face simply a promise to pay a certain sum, but being also equivalent to, and interchangeable for, money at will, it seems almost a quibble to say that it is not the thing itself. It may be taken as an established fact that bank notes are the most convenient and economical form of currency yet invented; with these indisputable advantages the points for consideration appear to be, who should issue them? and under what regulations should they be issued? The first of these questions cannot yet be said to have been decisively answered in the United Kingdom, bank notes being issued by three distinct classes under different conditions, although in each case a benefit is secured by the State, either by direct payment or by stamp duty.

1st. The Bank of England, whose notes are backed partly by government securities, and partly by bullion.

2nd. The English country bankers, with fixed issues wholly unsecured.

3rd. The Irish and Scotch banks with fixed issues also unsecured, but allowed to exceed the limit, provided that the excess be covered by gold.

The tendency, however, of the law is to extinguish the issues of the country banks in England.

But as to the regulations under which notes should be issued, legislation has most emphatically declared that bank notes shall be payable in gold on demand, with this modification, that country banks in England have the option of paying their notes in Bank of England paper or gold; but this can hardly be said to be a violation of the principle.

That it is a wise determination to have bank notes strictly and immediately convertible will hardly be questioned in the present day, although there may be differences of opinion as to the best mode of securing it. An inconvertible currency cannot but be an unmitigated evil to the country adopting this means of staving off present liabilities, though of course there are cases where it is unavoidable. Still it can only be compared to the remedy of the spendthrift, who flies to the money lender for relief

from temporary embarrassment, and finds himself in a few months with his difficulties increased and multiplied. An inconvertible currency naturally tends to drive gold out of circulation, and thus creates a difficulty in the settlement of international dealings; it introduces an element of uncertainty into all commercial transactions, giving them more or less the character of gambling, and, moreover it will generally be found that the inconvenience and loss arising from this uncertainty press more severely upon the poorer classes than on the wealthy who can protect themselves to a certain extent.

And if when a country suspends cash payments injustice is done to the creditor by compelling him to receive a debt in currency which was contracted in gold, so when cash payments are resumed, it is equally unjust to oblige a debtor to discharge in gold liabilities incurred in paper.

Properly speaking paper currency in this country dates from the establishment of the Bank of England in 1694, although before that time the goldsmiths, who were the bankers of the day, issued receipts for money lodged in their hands, and these receipts frequently passed from hand to hand like our bank notes.

There was a most important difference between the bank note as first issued by the Bank and those of our day, inasmuch as there was an allowance of interest at the rate of 2d. per cent. per diem during the time of circulation, thus combining to the holder the advantages of an exchequer bill with those of a bank note.

By the charter of the Bank it was prohibited from borrowing a larger sum than its paid-up capital, fixed at first at £1,200,000; and it would seem that the full amount was quickly issued, for in a pamphlet published by Mr. Godfrey, the deputy governor in 1695, he states the interest paid on notes at £36,000, which would be about the requirement if the limit were attained; the practice of allowing interest on notes was, however, very soon discontinued.

Shortly after the establishment of the Bank, its credit, by no fault of the management, sustained a most severe shock.

For some years previously the scandalous practice of clipping the silver coin had been carried on to a great extent, in spite of the severe laws enacted against it. In the summer of 1695 the evil had gone to such a length that it took thirty shillings in silver coin to purchase a guinea. In the early part of 1696 a new silver coinage was issued to the Bank, but by this time silver had almost disappeared from circulation, having been exported to purchase gold, the profit on the transaction being so great. When the new silver was coined there naturally ensued a rush to procure it, and the Bank was obliged to repay in silver of full weight the notes it had previously given in exchange for clipped and debased coin. The loss thereon was of course very large, but that was only a part of the evil; the new silver could not be procured quickly enough to meet the demand, and in consequence a notification was published partially suspending cash payments. Bank notes upon this fell to 20 per cent. discount, and to rectify it an expedient was adopted of a very bold, but, as it turned out, of an entirely successful character. This was an increase of capital, the subscriptions to which were to be received *at par*, in bank notes standing at the above-mentioned discount, and in exchequer tallies, which were still more depreciated. Upwards of £1,000,000 was thus subscribed, and by the withdrawal of that sum from circulation the remaining part was raised to its nominal value; the foreign exchanges also, which had long been very adverse to this country, were much improved.

Up to this time the Bank of England had by law no exclusive privileges as to the issue of bank notes, but by the 8th and 9th William III, cap. 20, it was enacted: "That during the continuance of the Corporation of the Governor and Company of the Bank of England no other bank or any other corporation, society, fellowship, company, or constitution, in the nature of a bank, shall be erected or established, permitted, suffered, countenanced, or allowed by Act of Parliament within this kingdom."

This did not expressly prohibit the establishment of joint-stock companies doing banking business; it simply

bound the legislature not to sanction, by Act of Parliament, the establishment of any company in the nature of a bank. Accordingly, a few years after, a corporation of mining adventurers began to transact banking business and issue notes. To meet this evasion of the law an amendment was passed in 1707, and re-enacted the following year, and is as follows :

"That during the continuance of the said Corporation of the Governor and Company of the Bank of England it shall not be lawful for any body politic or corporate whatsoever, erected or to be erected (other than the said Governor and Company of the Bank of England) or for any other persons whatsoever, united or to be united in covenants or partnerships, exceeding the number of six persons, in that part of Great Britain called England, to borrow, owe, or take up any sum or sums of money on their bills or notes payable on demand, or at any less time than six months from the borrowing thereof." As banking could hardly have been then carried on without the privilege of issuing notes, this prohibition effectually prevented any opposition to the Bank of England by the establishment of joint-stock banks down to the year 1826. But while thus careful of the interests of the Bank, the legislature appear to have forgotten those of the public, and took no precaution against the issue of notes by private bankers. This omission was taken advantage of to a great extent, especially in the country, where shopkeepers turned bankers in all directions, and flooded their respective neighbourhoods with what too often proved to be worthless paper. This now appears to have been an extraordinary policy ; to prohibit the issue of notes by a corporate body, for whose stability there was some guarantee, but to allow individuals who might not be worth sixpence to push as many out as their customers could be induced to absorb.

In the year 1759 the Bank of England first issued notes for £15 and £10, the minimum having previously been £20 ; no further alteration took place until 1795, when £5 notes came into use.

It is worthy of remark that about the year 1781 the London bankers discontinued the issue of notes, and took to giving out cheque books in lieu thereof; since that date no notes have been issued in London save by the Bank of England, although until the passing of the Act of 1844 there was no legal impediment. The year 1797 will always be unfavorably remembered as the date of the suspension of cash payments in this country—an incident which to a commercial nation like Great Britain must necessarily be looked back upon with shame and regret. Various causes tended to produce the state of things which rendered this step imperative, and by many writers the management of the Bank of England has been rudely censured. Sir John Sinclair, a writer of considerable ability, in his 'History of the Revenue,' published in 1804, quotes the opinion of a contemporary, and expressly says that he agrees with him to the effect "that the conduct pursued by the Bank of England for a considerable time previous to the suspension of the payment of its notes almost warrants the suspicion that instead of really dreading that suspension as an evil, they rather looked to it as an advantage."* There is no doubt that the holders of bank stock did benefit largely by the supension, as the following figures will testify.

In the year 1797, when the restriction first began, the highest price of bank stock was 146, the lowest 115.† We will take the price every five years down to the resumption of cash payments in 1821 :

Years.		Highest.		Lowest.
1802	...	207	...	178
1807	...	235	...	208
1812	...	232	...	212
1817	...	294	...	220
1821	...	240	...	231

The reason for this wonderful rise is not difficult to find. Prior to 1797 the usual dividend on bank stock was at the rate of 7 per cent. per annum. Between that

* Sinclair's 'History of the Revenue,' vol. ii, p. 307.

† Francis, 'History of the Bank,' vol. ii, p. 261.

time and 1821 the undermentioned additional distributions were made :*

In June, 1799—	£10	per cent.	bonus in	5 per cents., 1797.
May, 1801—	5	„	„	Navy 5 per cents.
Nov., 1802—	2½	„	„	„
Oct., 1804—	5	„	„	Cash.
Oct., 1805—	5	„	„	„
Oct., 1806—	5	„	„	„

June, 1816—Increase of capital at 25 per cent.

From April, 1807, the dividend also was raised from 7 to 10 per cent. per annum. Truly these advantages were very great, but in condemning the directors of the Bank for their action the difficulties of their position seem not to have been duly weighed, nor the probable effects of a different course well considered.

A clause in the original Act of 1694 prohibited the Bank from making advances to the Government, under the penalty of a fine of three times the amount so advanced. About the year 1793 the Bank having made certain advances to the Government it became necessary to pass an act of indemnity. Mr. Pitt took the opportunity to insert a clause by which the Bank was authorized to allow the Government to overdraw their account. It was intended that a limited sum should be named, but as finally passed this restriction was dropped altogether.

The practical effect of this was to take the management out of the hands of the directors, unless they resorted to the extreme measure of refusing to honour Government drafts and thereby proclaiming national bankruptcy. In this extreme need of resources to carry on the war Mr. Pitt did not fail to make use of his power, and to such an extent, that in an account dated February 10th, 1797 (only three years after the removal of the restriction), the temporary loans are stated at £7,185,645, exclusive of £400,000 for arrears of interest.† Of course, this is altogether distinct from the permanent debt of £11,686,800, which was included in the national accounts

* 'Report of Committee on Bank Charter, 1832,' Appendix No. 29.

† Francis, 'History of Bank,' vol. i, p. 229.

as funded debt, and was the subscribed capital of the Bank; the advances in question formed part of the unfunded debt.

The enormous subsidies this country was sending abroad to aid its allies on the continent in the struggle with Napoleon, and the long-continued adverse foreign exchanges, had caused a most serious drain on the metallic reserves of the Bank, whilst it was also called upon to supply the extra amount of bullion required to replace the bank notes withdrawn from circulation by the country banks, who had, according to Mr. Thornton's estimate, reduced their issues by one half since 1793. All these causes combined had so reduced the stock of bullion that the directors, in their anxiety to provide for the safety of the Bank, used every means to get notes in, and with such success that in five weeks prior to February 25th, 1797, the circulation was reduced from £10,550,830 to £8,640,250.* The contraction of the note circulation increased the demand for gold; the possibility of invasion induced hoarding, and a run on two large banks at Newcastle, causing their stoppage on the 20th of February, produced a complete panic, which lasted all through the week, by which time the bullion in the Bank was brought down to £1,272,000. On Sunday, February 26th, 1797, a Cabinet Council was held, when it was resolved to suspend cash payments, and instructions to that effect were at once given to the Bank of England and the Bank of Ireland. From that day to May 1st, 1821, this country had, what it is to be hoped it will never have again, an inconvertible paper currency. Committees of both Houses of Parliament were immediately appointed to investigate the affairs of the Bank, and the causes and policy of the suspension. As to the first point, it was ascertained that the assets of the Bank exceeded its liabilities by £3,126,890, exclusive of the permanent debt of the Government. On the second point, the evidence both of the directors and of several eminent merchants was taken, but neither committee

* 'Lord's Reports,' 1797, p. 177.

expressed a decided opinion thereon. The directors attributed the necessity for suspension to the advances made to Government, whilst the merchants contended that blame attached to the Bank for the contraction of the note issues.

Mr. Macleod after some remarks, in which he upholds the opinion of the merchants, says:*—"From the foregoing considerations, as well as the weight of authority on the subject, we can scarcely have any room to doubt that the suspension of cash payments was brought about at that particular time, by the erroneous policy of the directors. We must, in candour, state that it appears open to much doubt whether any management, however skilful, could ultimately have saved them from such a disaster during some period of the war." But he also says:—"We cannot help thinking that it was fortunate that it occurred at this early period. The alarm and dangers which preceded its stoppage were comparatively slight compared with those that menaced the country after that event. The mutinies in the fleet, the rebellion in Ireland, the enormous accumulation of troops on the heights of Boulogne, flushed with victory, and led by a more fortunate, though probably not a greater soldier than Hoche, and burning with zeal for the invasion of England, were dangers of such portentous magnitude as to render it, to the last degree improbable that any paper currency, convertible into gold, could have survived them."

Although, as already mentioned, cash payments were not resumed until the year 1821, the Act which confirmed the order in Council for suspension fixed the 24th June, 1797, as the date for resuming, but after a short extension it was finally settled by Act of Parliament to take place one month after the conclusion of a definitive treaty of peace.

To remedy the inconvenience arising from the want of small change an Act was passed by which £1 notes were legalised in England and in Scotland, where notes of this

* Macleod, 'On Banking,' vol. i, p. 403.

denomination had been current since 1704 for smaller sums; country notes were made payable in Bank of England notes.

It may be mentioned that prior to 1765 it had been customary to issue notes under £1 in Scotland, but in that year they were forbidden.

The following figures, extracted from the 'Appendix to the Report on the Bank Charter' 1832, will give an idea of the wonderful effect the suspension of cash payments and the issue of small notes combined had upon the Bank circulation; unfortunately as the country banks made no returns, it is not possible to say to what extent they were influenced.

	Circulation.		Bullion.
February 29th, 1792 ...	£11,307,380	...	£6,468,060
„ 28th, 1793 ...	11,888,910	...	4,010,680
„ 28th, 1794 ...	10,744,020	...	6,987,110
„ 28th, 1795 ...	14,017,510	...	6,127,720
„ 29th, 1796 ...	10,729,520	...	2,539,630
„ 28th, 1797 ...	9,674,780	...	1,086,170
„ 28th, 1798* ...	11,647,610	...	5,828,940
† ...	1,448,220		
„ 28th, 1799* ...	11,494,150	...	7,563,900
† ...	1,465,650		
„ 29th, 1800* ...	15,372,930	...	6,144,250
† ...	1,471,540		
„ 28th, 1801* ...	13,578,520	...	4,640,120
† ...	2,634,760		
„ 28th, 1802* ...	12,574,860	...	4,152,950
† ...	2,612,020		
„ 28th, 1803* ...	12,350,970	...	3,776,750
† ...	2,968,960		
„ 29th, 1804* ...	12,546,560	...	3,372,140
† ...	4,531,270		
„ 28th, 1805* ...	13,011,010	...	5,883,800
† ...	4,860,160		
„ 28th, 1806* ...	13,271,520	...	5,987,190
† ...	4,458,600		
„ 28th, 1807* ...	12,840,790	...	6,142,840
† ...	4,109,890		
„ 29th, 1808* ...	14,093,690	...	7,855,470
† ...	4,095,170		
„ 28th, 1809* ...	14,241,360	...	4,488,700
† ...	4,301,500		

		Circulation.		Bullion.
February 28th, 1810*	...	15,159,180	...	3,501,410
†	...	5,860,420		
„ 28th, 1811*	...	16,246,130	...	3,350,940
†	...	7,114,090		
„ 29th, 1812*	...	15,951,290	...	2,983,190
†	...	7,457,030		
„ 27th, 1813*	...	15,497,320	..	2,884,500
†	...	7,713,610		
„ 28th, 1814*	...	16,455,540	...	2,204,430
†	...	8,345,540		
„ 28th, 1815*	...	18,226,400	...	2,036,910
†	...	9,035,250		
„ 29th, 1816*	...	18,012,220	...	4,640,880
†	...	9,001,400		
„ 28th, 1817*	...	19,261,630	...	9,680,970
†	...	8,136,270		
„ 28th, 1818*	...	20,370,290	...	10,055,460
†	...	7,400,680		
„ 27th, 1819*	...	17,772,470	...	4,184,620
†	...	7,354,230		
„ 29th, 1820*	...	16,794,980	...	4,911,050
†	...	6,689,130		
„ 28th, 1821*	...	17,447,360	...	11,869,900
†	...	6,437,560		
„ 28th, 1822*	...	17,290,500	...	11,057,150
†	...	1,374,850		
„ 28th, 1823*	...	17,710,740	...	10,384,230
†	...	681,500		

* Notes above £5 and post bills.

† Notes under £5.

By this it will be seen that whilst the circulation, or profitable part of the Bank's business, rapidly expanded, the bullion, or unprofitable part of its resources, was usually lower than when the notes were convertible.

Although in the absence of returns from the country banks the amount of their circulation during the period of suspension cannot even be guessed at, there can be no doubt that it must have been largely inflated when the increase in the number of banks is noted. In 1797 country banks numbered 270, in 1810, 721, and in 1813 they had risen to 940.

It will hardly be worth while to follow the course of the paper currency through the vicissitudes of the next

few years, or to trace the gradual depreciation, first of Bank of Ireland, and later of Bank of England notes, a depreciation which was earnestly denied by the directors of both banks, they contending that gold had risen instead of the note having fallen in value. These and other controversies of the day may as well be passed over in silence as points on which there is now no difference of opinion. Mr. Macleod* gives a table showing the market price of bullion, and consequent *real* value of the bank note at various dates during the suspension, by which it appears that down to 1804 the depreciation was but nominal, after which it became greater year by year, until on the 6th August, 1813, the market price of bullion was £5 10s. per ounce, making the £1 note equivalent to 14s. 2d. in coin; this was the extreme point of depreciation.

The Peace of Amiens, concluded on the 27th March, 1802, compelled the Bank to be ready to resume cash payments in a month from that date; but Mr. Addington, then Prime Minister and Chancellor of the Exchequer, brought in, and persuaded Parliament to pass, a bill prolonging the restriction until the 1st March, 1803. Then it was again continued until the following session, by which time war having again broken out, the resumption was postponed until six months after the conclusion of a treaty of peace. This period expired in March, 1815, but again war intervened after the escape of Napoleon from Elba, so there was a further postponement to July, 1816, then to 1818, and finally by the provisions of Peel's Currency Bill a gradual resumption took place.

This celebrated Act, passed in 1819, continued the restriction acts until the 1st of May, 1823, when they were finally to cease. Between the 1st of February and the 1st of October, 1820, the Bank was bound to cash its notes in bullion, at the rate of £4 1s. per ounce; from the 1st of October, 1820, to the 1st of May, 1821, at £3 19s. 6d. per ounce; and from the last date to the 1st of May, 1823, at £3 17s. 10½d. per ounce; in each case the notes presented

* Macleod, 'On Banking,' vol. ii, p. 78.

were to be of the value of 60 ounces of gold. The date for the absolute resumption was afterwards expedited to the 1st of May, 1821, when it actually took place after twenty-four years of inconvertibility. It may be mentioned that by this time the Government had repaid £10,000,000 of the money borrowed of the Bank.

Cash payment having now been resumed, the country bank notes for £1 and £2 were by the existing Acts of Parliament doomed to extinction within two years. But in 1822 a fall in prices, which had been in progress for some time, and commenced even before the passing of the Currency Bill, became very serious and excited great alarm. The opponents of the Currency Bill attributed the fall in prices to the contraction of the currency, though it now appears that there is great reason to doubt whether any contraction did actually take place; however, they had sufficient power to obtain a respite for the small notes until 1833.

An attempt was at the same time made to induce the Bank of England to consent to the establishment of joint-stock banks beyond a radius of sixty-five miles from London, as a means of improving the quality of the country note issues, but although an extension of the charter for ten years was offered as a consideration for the concession, the negociation fell through.

The country banks then resumed the issue of small notes, prices rose rapidly, and speculation was engendered to a vast extent, taking principally the form of subscription to joint-stock companies, both at home and abroad. All went on well and apparently prosperously until the latter end of 1825, when the amount of bullion in the Bank began to diminish, and the Directors in consequence restricted the discount accommodation to the public. Then came the change; the companies formed during the speculative mania found their shares rapidly falling in the market; country banks failed by the dozen, and several influential London houses also. A fearful panic set in and ruin stared every one in the face.

In this crisis there was a general rush to the Bank of

LIBRARY OF THE UNIVERSITY CALIFORNIA.

England for assistance, and nobly was the call responded to. Mr. Harman, a Director, in his examination by the committee of secrecy in 1832, says :* "We lent it (money) by every possible means, and in modes that we never had adopted before; we took in stock as security, we purchased exchequer bills, we advanced upon exchequer bills, we not only discounted outright, but we made advances on the deposit of bills of exchange to an immense amount; in short, by every possible means consistent with the safety of the Bank. And we were not upon some occasions over nice; seeing the dreadful state in which the public were, we rendered every assistance in our power."

It is said that the accidental discovery of a number of £1 notes at the Bank ready for circulation, and the issue thereof with the consent of the Government, aided very materially in restoring confidence in the country districts.

The panic was, however, the death blow to small notes in England, as after February, 1826, no more stamps were issued for £1 or £2 notes, although those already issued were allowed to remain in circulation until April, 1829. It was intended also to abolish the Scotch and Irish £1 and £2 notes, but the opposition in Scotland, headed by Malachi Malagrowther (Sir Walter Scott) was too strong for ministers, and the small notes have ever since remained in full use to the great content of the sister countries.

In the early part of 1826 a correspondence took place between the Government, represented by the First Lord of the Treasury and the Chancellor of the Exchequer, and the Bank of England, in which two proposals were made by the former, both having the same object in view, the improvement of the country note circulation. These were—

1st. That the Bank should establish branches in country towns.

2nd. That the Bank should consent to the establishment of joint-stock banks of issue beyond sixty-five miles from London.

To the first, the Directors appear to have acceded

* 'Committee on Bank Charter, 1832,' Answer 2217.

without any difficulty, and in consequence the undermentioned branches have been opened at various dates:

Manchester . .	21st September, 1826.
Birmingham . .	1st January, 1827.
Liverpool . . .	2nd July, 1827.
Bristol, . . .	12th July, 1827.
Leeds . . .	23rd August, 1827.
Newcastle . .	21st April, 1828.
Hull . . .	2nd January, 1829.
Plymouth . .	1st May, 1834.
Portsmouth . .	16th May, 1834.

Branches have also been opened at Cardiff, Exeter, Gloucester, Leicester, Norwich, and Swansea, but for various reasons have been discontinued.

To the second proposal of the Government some opposition was offered, but finally a reluctant consent was given, and a bill was passed legalizing joint-stock banks of issue beyond a radius of sixty-five miles from London, the liability of the shareholders being unlimited.

It may be remarked that in the debates in Parliament relative to these changes the principle of limited liability, as applied to banking, was strongly advocated by Mr. Huskisson and the late Sir Robert Peel.

The important step of making Bank of England notes a legal tender was taken at the renewal of the charter in 1833, when it was enacted that the tender of such notes for any sum above £5 was legal anywhere in England and Wales. This measure was much debated, one of its strongest opponents being Sir Robert Peel; it was, however, carried on a division by 214 to 156.

Notes issued at any of the branches were made payable at the place of issue as well as in London, but on the other hand those issued in London were only payable there.

In the course of the negociations between the Government and the Bank relative to the renewal of the Charter, the attention of the law officers was called to an opinion, expressed so far back as 1822, that there was nothing in

the existing law to prevent joint-stock banks being opened in London, or within sixty-five miles thereof, provided that they did not issue notes. After due consideration this was officially declared to be the case, and it was determined to take immediate advantage of the discovery, and the following clause was inserted in the Act: "Be it therefore declared and enacted that any body politic or corporate, or society, or company, or partnership, although consisting of more than six persons, may carry on the trade or business of banking in London or within sixty-five miles thereof, provided that such body politic, or corporate, or society, or company, or partnership do not borrow, owe, or take up in England any sum or sums of money on their bills or notes payable on demand, or at any less time than six months from the borrowing thereof, during the continuance of the privileges granted by this Act to the said Governor and Company of the Bank of England."

The Bank protested most strongly against this clause, declaring that it was a violation of the understanding that their privileges were to be preserved intact. To this Lord Althorp retorted by saying that the bargain was that their privileges should not be diminished, to which he would strictly adhere, but that he could not propose to Parliament to improve their position. As the Directors did not feel strong enough to resist the Government, they did the best thing possible under the circumstances—submitted with a good grace.

The passing of this Act was quickly followed by the establishment of the London and Westminster, London Joint-Stock and Union Banks in rapid succession. As to the policy of the removal of the restriction, so far as the interests of the public are concerned, there can now be hardly two opinions, and it is probable that the damage to the Bank did not prove to be nearly so great as the fears of the Directors led them to expect.

A small concession was also granted to the country banks of issue, by allowing them to have an agent in London through whom their notes could be retired. The

charter was renewed by this Act for twenty-one years from the 1st August, 1834, but power was reserved by the Government to cancel it after the expiration of ten years, upon giving twelve months' notice, and paying off the debt due to the Bank.

Within the next few years there were two serious disturbances in the money market, arising from very different causes; the first culminating in the latter end of the year 1836, the second in 1839. The harvests of 1832-3-4 were very abundant, and the price of corn in consequence fell extremely low, causing great agricultural distress, though for the same reason the manufacturing interests were exceedingly prosperous.

Railway schemes were starting, and speculation of all kinds was increasing. The new joint-stock banks were giving great facilities in the way of credit, by the means afforded them of re-discounting with the Bank, until a notice was issued that all bills bearing the indorsement of a joint-stock bank would be refused by the discount office, whatever other names they might bear. This measure was of course attributed to jealousy of the new banks, but in point of fact it appears to have been forced upon the Bank.

The United States government were at this time re-establishing a metallic currency, and drawing large sums of bullion from this country in exchange for securities.

An Irish bank, the Agricultural and Commercial, failed in November, 1836, causing a run on the other banks, and necessitating a large importation of gold, Bank of England notes not being a legal tender in Ireland. Then the Northern and Central Bank, having a number of branches in the manufacturing districts, had to apply to the Bank for assistance, which was granted to a large amount; liberal accommodation also was afforded in other quarters and the crisis passed over.

The second drain of gold was owing to very different causes; following the plentiful harvests above mentioned came a succession of bad ones. To meet the deficiency a large importation of corn took place, which in due course,

the balance of trade being against England, had to be provided for by an export of gold. This might not of itself have been so serious, but that simultaneously a continental demand for bullion set in, which reduced the gold in the Bank to such an extent that artificial means were resorted to in order to meet the difficulty.

An arrangement was made by which Messrs Baring & Co. drew on Paris bankers for about two millions sterling, the Bank of France engaging to pay the drafts should the acceptors not be in a position to meet them at maturity. The drain was thus stopped, but not before the bullion had on the 2nd September, 1839, fallen as low as £2,406,000.* The tide then turned and an accumulation of gold began which continued almost without interruption until the year 1844.

It now becomes necessary to consider the Acts of 1844-45, by which the bank note circulation of England, Scotland, and Ireland are now regulated. As before mentioned, at the renewal of the Charter in 1833, power was reserved by the ministry to cancel the exclusive privileges of the Bank (under certain conditions) at the end of ten years. In April, 1844, a correspondence was opened with the Bank by Mr. Goulburn, the Chancellor of the Exchequer, in an exhaustive letter, in which the propositions of the Government were given in detail. To these, after some vain attempts to obtain better terms as regards the sum to be paid in lieu of stamp duty, the consent of the court of Directors was given.

The main objects in view in the proposed changes were "to place the general circulation of the country on a sounder footing, and to prevent, as much as possible, fluctuations in the currency, of the nature of those which have at different times occasioned hazard to the Bank and embarrassment to the country." † Sir Robert Peel also explained in Parliament that it was intended "to prevent the recurrence of those evils from which we suffered in 1825, 1836, and 1839. It is better to prevent the paroxysm

* Macleod, 'On Banking,' vol. ii, p. 120.

† Mr. Goulburn's Letter, April 16th, 1844.

than to excite it, and trust to desperate remedies for the means of recovery."

The supporters of Sir Robert Peel's measure claim it as a success on the ground that the convertibility of the note is secure, and doubtless it is so; but as to the fluctuations of the currency, and the prevention of panics, it is sufficient to remark that the former are as great as before the passing of the Act, and that the panics of 1847, 1857, and 1866 were, to say the least, quite equal in intensity to any that had happened before. The Act *in operation* did not prevent the panic, but *when suspended* a better feeling immediately arose on each occasion.

The clauses of the Act of 1844 (7 & 8 Vict., cap. 32) affecting the Bank of England are as follows:

1st. That on and after the 31st August, 1844, the issue of bank notes payable on demand by the Bank of England should be separated, and thenceforth kept wholly distinct from the general banking business, and should be carried on by a separate department, entitled "The Issue Department of the Bank of England."

2nd. That on the 31st August, 1844, there should be transferred to the Issue Department securities to the value of £14,000,000 (of which the debt due by the public of £11,015,100 should be deemed a part), and also any gold and silver not required for banking purposes; and thereupon the Issue Department should deliver to the Banking Department such an amount of notes as should, added to those in the hands of the public, be exactly equal to the aggregate of securities, gold and silver transferred to the Issue Department. The Bank was forbidden to increase the securities in the Issue Department, but might decrease them at pleasure, and again increase them up to the limit. After the transfer the Issue Department was allowed only to issue notes, whether to the Banking Department or the public, in exchange for other notes, or for gold and silver coin or bullion.

3rd. That the proportion of silver bullion held by the Issue Department should not at any time exceed one fourth part of the gold coin or bullion.

4th. That after the 31st August, 1844, all persons should be entitled to receive notes for standard gold, at the rate of £3 17s. 9d. per ounce, the assay to be conducted by persons approved of by the Bank, and the expense thereof to be borne by the seller.

5th. That if any banker who, on the 6th May, 1844, was issuing his own notes, should cease to do so, it should be lawful for the Privy Council, on the application of the Bank of England, to authorize the increase of the securities in the Issue Department beyond £14,000,000, by a sum not exceeding two thirds of the issue so discontinued, and thereupon to issue notes to that amount; the authority for so doing to be published in the next 'London Gazette.'

6th. That the accounts of the Bank in a prescribed form should be published weekly in the 'London Gazette.'

7th. That Bank of England notes should be issued free of stamp duty.

8th. That the sum paid by the Bank for its exclusive privileges should be raised from £120,000 to £180,000 per annum; the nett profits arising from increased issues (under the 5th clause) should also be paid to the public.

9th. That it should be lawful for the Bank to compound with banks of issue to discontinue their own notes and substitute those of the Bank, for a payment of 1 per cent. per annum, up to the 1st August, 1856, the amount of such composition to be deducted from the sum paid by the Bank to the public.

The authorized circulation has in accordance with the provision of the 5th clause been thrice increased, viz.; in December, 1855, £475,000, July, 1861, £175,000, and January, 1866, £350,000, which brings the fixed issue of the Bank to £15,000,000, exclusive of that against coin and bullion.

The following are the principal clauses in the Act of 1844 affecting the issue of notes by country bankers.

1st. That no person other than a banker who was lawfully issuing his own notes on the 6th May, 1844, should after the passing of the Act be allowed to do so in any parts of the United Kingdom.

2nd. That after the passing of the Act it should not be lawful for any banker to draw, accept, make, or issue in England or Wales, any bill of exchange, promissory note, or engagement for the payment of money to bearer on demand, or to borrow, owe, or take up any sums of money on the bills or notes of such banker payable to bearer on demand, except such bankers as were on the 6th May, 1844, issuing their own notes, who should, under restrictions hereafter named, continue to do so. The rights of any existing firm should not be affected by the admission or retirement of partners, provided the number did not exceed six.

3rd. That if a bank of issue should, through bankruptcy or any other cause, discontinue to issue notes, it should not be lawful to resume.

4th. Every banker claiming to issue notes was required to certify to the Commissioners of Stamps and Taxes, the place, name, and firm at and under which he had issued notes during the twelve weeks preceding the 27th April, 1844. The average amount in circulation for those twelve weeks having been ascertained, it should then be lawful for such bank to continue to issue notes, provided that on an average the certified sum should not be exceeded.

5th. That if during the twelve weeks preceding the 27th April, 1844, two banks of issue had amalgamated, it should be lawful for the united bank to issue notes to the aggregate amount of each separate bank.

6th. That the Commissioners of Stamps and Taxes should publish in the 'London Gazette' a statement of the authorized issue of each bank.

7th. That if, after the passing of the Act, two banks of issue should amalgamate, the aggregate amount of the notes of each separate bank should be the authorized issue of the united banks, provided the total number of partners did not exceed six, in which case the privilege of issue would cease.

8th. That if on an average of four weeks it should appear that any banker had exceeded his authorized issue, he should forfeit a sum equal to the excess.

9th. That every bank of issue should make a weekly return to the Commissioners of Stamps and Taxes of the amount of notes in circulation each day of the week, and every fourth week an additional return showing the average circulation during that time, such returns to be published in the 'London Gazette.' A false return to be punished by a fine of £100.

10th. That the average should not exceed the amount certified by the Commissioners as the authorized issue.

11th. That the Commissioners should have the power to examine and make extracts from the books of any bank of issue.

12th. That on the 1st January in each year a return should be made to the aforesaid Commissioners of the names, residence, and occupation of each member of a private banking firm, and of each shareholder in a joint-stock bank, such information to be published in the 'London Gazette' and the local newspapers.

13th. That banks of issue having branches should be required to take out a licence for each branch, but banks in existence at the passing of the Act, and having already four licences, should not be required to increase that number.

14th. That after the passing of the Act it should be lawful for any number of persons, although exceeding six, carrying on business in London, or within sixty-five miles thereof, to draw, accept, or indorse bills of exchange, not being payable to bearer on demand, any Acts to the contrary notwithstanding.

In the twenty-seventh clause it is stated that the Bank shall enjoy the exclusive privileges granted by this Act, &c. &c., subject, nevertheless, to redemption upon the terms and conditions following:—"At any time upon twelve months' notice, to be given after the 1st day of August, 1855, and upon repayment by Parliament of £11,015,100, being the debt due from the public to the Governor and Company."

On reading over the clauses of this Act and the speeches of Sir Robert Peel in its support, it would appear that

in the opinion of the Prime Minister the currency of the country, that is, bank notes, gold and silver, should be a fixed quantity under all conditions of trade and commerce, so far as legislation could bring it about. He would, therefore, have preferred the establishment of a central bank of issue, under the direct management of the Government, the functions of which would have been automatic, as indeed those of the issue department of the Bank of England now are, in which case the whole of the profits of issue would have belonged to the public. To do this it would of course have been necessary to sweep away the country note issues at once, and it is tolerably certain that the attempt to do so would have been made but for the fear that the hostility of the country bankers might endanger the success of the measure. For this reason the process of extinction was made gradual, though had Sir Robert Peel foreseen that at the end of more than thirty years after the passing of his act there would still remain in England and Wales no less than 167 banks of issue with an authorized circulation of £6,500,000, it is more than probable that the clauses would have been framed for more speedy effect. In speaking of the great evils of uncontrolled competition amongst banks of issue, Sir Robert Peel adduced the failures of the American banks, but singularly enough he omitted all mention of the Scotch banks, which were even less controlled, and of whose solvency there had never been any doubt.

Banking authorities are almost unanimous in asserting that with a paper currency payable in gold on demand it cannot be forced into circulation beyond the requirements of trade, as it will either be exchanged for gold for exportation, or deposited with some banker, but certainly in some way or other returned to the issuer.

At the time of the passing of the Act of 1844 there were in England and Wales issuing notes:*

207 private banks, with authorized issues amounting to	£5,153,407
72 joint-stock banks „ „	3,495,446
Total	£8,648,853

* 'Bankers' Magazine,' December, 1876.

Of these the following have from various causes discontinued their issues :

88 private banks, with authorized issues amounting to		£1,345,415
18 joint-stock banks	„ „	842,453
	Total	£2,187,868

Leaving the fixed issues of the country banks at the present time (January, 1877) as follows :

113 private banks, with authorized issues amounting to		£3,807,992
54 joint-stock banks	„ „	2,652,993
	Total	£6,460,985

The apparent discrepancy in the numbers of the private banks is accounted for by the fact of twelve amalgamations having taken place under clause 7, thus reducing the issuing *banks* by six, but causing no diminution in *amount*.

In practice no bank can keep up to its authorized fixed issue, whatever may be the local demand for its notes, on account of the risk of being over the amount on the average of four weeks, for which they would be liable to be fined in accordance with the provision mentioned in clause 8.

The following tables, principally taken from the Report of the Bank of Issue Committee in 1875, giving the average circulation since 1844, show the effect of the restriction, although allowance must also be made for decreased circulation caused by the more general custom of keeping accounts with bankers.

It will be observed that the percentage of *actual*, compared with *authorized* issues is much larger in the case of the joint-stock than the private banks.

TABLE I.—*Annual averages of authorized and actual issues of Private Banks in England and Wales during the years* 1844-76.

Year.	Authorized issue.	Proportion of each year to 1844. 1844=100.	Actual average issue.	Proportion of each year to 1844. 1844=100.	Percentage of actual to authorized issue.
1844	5,153,407	100	4,780,000	100	93
January, 1845	5,011,097	97	4,510,000	94	90
„ 1846	5,009,021	97	4,550,000	95	91
„ 1847	4,995,569	97	4,320,000	89	88
„ 1848	4,841,889	94	3,660,000	76	76
„ 1849	4,815,456	93	3,560,000	74	74
„ 1850	4,802,583	93	3,580,000	75	74
„ 1851	4,788,883	93	3,460,000	72	72
„ 1852	4,698,071	91	3,550,000	74	75
„ 1853	4,655,615	90	3,800,000	79	82
„ 1854	4,616,605	89	3,770,000	79	82
„ 1855	4,609,868	89	3,830,000	80	83
„ 1856	4,570,367	88	3,750,000	78	82
„ 1857	4,494,919	87	3,620,000	76	80
„ 1858	4,404,940	85	3,240,000	68	73
„ 1859	4,395,217	85	3,440,000	72	78
„ 1860	4,395,217	85	3,440,000	72	78
„ 1861	4,395,217	85	3,220,000	67	73
„ 1862	4,338,190	84	3,220,000	67	74
„ 1863	4,319,593	84	3,140,000	66	73
„ 1864	4,251,004	82	3,110,000	65	73
„ 1865	4,203,118	81	2,950,000	62	70
„ 1866	4,117,696	80	2,760,000	58	67
„ 1867	4,088,519	79	2,730,000	57	67
„ 1868	4,079,493	79	2,740,000	57	67
„ 1869	4,032,908	78	2,730,000	57	68
„ 1870	4,032,908	78	2,590,000	54	64
„ 1871	3,975,545	77	2,680,000	56	67
„ 1872	3,941,291	77	2,700,000	56	68
„ 1873	3,916,514	76	2,640,000	55	67
„ 1874	3,875,809	75	2,600,000	54	67
„ 1875	3,845,908	74	2,500,000	52	65
„ 1876	3,807,992	74	2,450,000	51	64

TABLE II.—*Annual averages of authorized and actual issues of Joint-stock Banks in England and Wales during the years* 1844-76.

Year.	Authorized issue.	Proportion of each year to 1844. 1844=100.	Actual average issue.	Proportion of each year to 1844. 1844=100.	Percentage of actual to authorized issue.
1844	3,495,446	100	3,390,000	100	97
January, 1845	3,477,321	99	3,190,000	94	92
„ 1846	3,469,872	99	3,170,000	94	91
„ 1847	3,442,645	98	3,040,000	90	89
„ 1848	3,428,731	98	2,600,000	77	76
„ 1849	3,409,987	97	2,630,000	78	77
„ 1850	3,409,987	97	2,740,000	81	80
„ 1851	3,409,987	97	2,740,000	81	80
„ 1852	3,409,987	97	2,860,000	84	84
„ 1853	3,409,987	97	3,050,000	90	89
„ 1854	3,325,857	95	3,030,000	89	91
„ 1855	3,325,857	95	3,050,000	90	92
„ 1856	3,325,857	95	3,050,000	90	92
„ 1857	3,313,071	95	3,010,000	89	91
„ 1858	3,313,071	95	2,760,000	81	83
„ 1859	3,313,071	95	2,990,000	88	90
„ 1860	3,313,071	95	3,000,000	88	90
„ 1861	3,313,071	95	2,890,000	85	87
„ 1862	3,313,071	95	2,890,000	85	87
„ 1863	3,309,119	94	2,880,000	85	87
„ 1864	3,284,072	94	2,850,000	84	87
„ 1865	3,235,971	92	2,850,000	84	88
„ 1866	3,235,971	92	2,280,000	67	70
„ 1867	3,190,725	91	2,300,000	68	72
„ 1868	2,748,354	78	2,300,000	68	84
„ 1869	2,748,354	78	2,330,000	69	85
„ 1870	2,748,354	78	2,309,000	68	84
„ 1871	2,748,354	78	2,380,000	70	87
„ 1872	2,748,354	78	2,390,000	70	87
„ 1873	2,748,354	78	2,400,000	71	87
„ 1874	2,748,354	78	2,360,000	70	86
„ 1875	2,662,707	76	2,310,000	68	86
„ 1876	2,652,993	76	2,260,000	66	85

TABLE III.—*Annual averages of the authorized and actual issues of both Private and Joint-stock Banks in England and Wales during the years* 1844-76.

Year.	Authorized issue.	Proportion of each year to 1844. 1844=100.	Actual average issue.	Proportion of each year to 1844. 1844=100.	Percentage of actual to authorized issue.
1844	8,648,853	100	8,170,000	100	95
January, 1845	8,488,418	98	7,700,000	94	91
„ 1846	8,478,893	98	7,720,000	94	91
„ 1847	8,438,214	97	7,360,000	93	90
„ 1848	8,270,620	96	6,260,000	76	76
„ 1849	8,225,443	95	6,190,000	76	75
„ 1850	8,212,570	95	6,320,000	77	77
„ 1851	8,198,870	95	6,200,000	76	76
„ 1852	8,108,058	94	6,410,000	78	79
„ 1853	8,065,602	93	6,850,000	84	85
„ 1854	7,942,462	92	6,800,000	83	86
„ 1855	7,935,725	92	6,880,000	84	87
„ 1856	7,896,224	91	6,800,000	83	86
„ 1857	7,807,990	90	6,630,000	81	85
„ 1858	7,718,011	89	6,000,000	73	78
„ 1859	7,708,288	89	6,430,009	79	84
„ 1860	7,708,288	89	6,440,000	79	84
„ 1861	7,708,288	89	6,110,000	75	79
„ 1862	7,651,261	88	6,110,000	75	80
„ 1863	7,628,712	88	6,020,000	74	79
„ 1864	7,535,076	87	5,960,000	73	79
„ 1865	7,439,089	86	5,800,000	71	78
„ 1866	7,353,667	85	5,040,000	62	68
„ 1867	7,279,244	84	5,030,000	61	69
„ 1868	6,827,847	79	5,040,000	62	74
„ 1869	6,781,262	78	5,060,000	62	74
„ 1870	6,781,262	78	4,890,000	60	72
„ 1871	6,723,899	78	5,060,000	62	75
„ 1872	6,689,645	77	5,090,000	62	76
„ 1873	6,664,868	77	5,040,000	62	76
„ 1874	6,624,163	76	4,960,000	61	75
„ 1875	6,508,615	75	4,810,000	59	73
„ 1876	6,460,985	75	4,710,000	58	73

The Acts for the regulation of the issue of Irish and Scotch bank notes were not passed until 1845, and although somewhat similar to the English Act in their provisions, differ in one or two material respects. As in England the Irish and Scotch banks have authorized issues allotted to them, but they are allowed to exceed the limits if they hold gold and silver to an amount equal to the excess, the silver not to be in a greater proportion than one fourth of the gold. Notes may be issued for any sum of not less than 20s.

The weekly returns must state separately the amount of notes in the hands of the public under £5, as also the total sum of gold and silver held in the till.

Irish banks can, if they please, transfer their issues to the Bank of Ireland, but cannot again resume the privilege. No such provision appears in the Scotch Act.

In both Acts Bank of England notes are expressly stated not to be legal tender, so that a creditor can demand payment in gold in Ireland and Scotland.

In Ireland there were at the passing of the Act of 1845 six banks of issue having an authorized circulation of £6,354,494; and there has been no alteration since that time.

In Scotland there were in the year 1845 nineteen banks of issue, having an authorized circulation of £3,087,209. Of these two banks with issues to the amount of £337,938 have ceased to exist, the number has been further reduced by six by amalgamations, but the sum total is not thereby affected. There are at present (December, 1876) eleven banks with a fixed issue of £2,749,271.

The following tables will show the average note circulation of the Irish and Scotch banks, the excess over the authorized issue being the amount issued against gold.

TABLE IV.—*Annual average circulation of the Irish Banks for the years* 1844-76, *showing the proportion in each year to* 1844, *also the amount above or below the authorized issue, i.e. the issue against gold when above the limit.*

Year.	Annual average circulation.	Proportion to 1844. 1844=100.	Amount above or below the limit of 1845.
1844	5,940,000	100	—
1845	6,949,000	117	+ 595,000
1846	7,260,000	122	+ 906,000
1847	6,009,000	101	− 345,000
1848	4,829,000	81	−1,525,000
1849	4,310,000	72	−2,044,000
1850	4,512,000	76	−1,842,000
1851	4,463,000	75	−1,891,000
1852	4,818,000	81	−1,536,000
1853	6,650,000	95	− 704,000
1854	6,296,000	106	− 58,000
1855	6,362,000	107	+ 8,000
1856	6,652,000	112	+ 298,000
1857	6,822,000	115	+ 468,000
1858	6,183,000	104	− 171,000
1859	6,870,000	116	+ 516,000
1860	6,840,000	115	+ 486,000
1861	6,266,000	106	− 88,000
1862	5,638,000	95	− 716,000
1863	5,405,000	91	− 949,000
1864	5,594,000	94	− 760,000
1865	5,987,000	101	− 367,000
1866	5,884,000	99	− 470,000
1867	5,811,000	98	− 543,000
1868	6,181,000	104	− 173,000
1869	6,608,000	111	+ 254,000
1870	6,880,000	116	+ 526,000
1871	7,544,000	127	+ 190,000
1872	7,674,000	129	+1,320,000
1873	7,077,000	119	+ 723,000
1874	6,768,000	114	+ 414,000
1875	7,064,000	118	+ 710,000
1876	7,472,000	125	+1,118,000

TABLE V.—*Annual average circulation of the Scotch Banks for the years* 1844-76, *showing the proportion in each year to* 1844, *also the amount above the authorized issue, i.e. the issue against gold.*

Year.	Annual average circulation.	Proportion to 1844. 1844=100.	Amount above the limit of 1845.
1844	3,020,000	100	—
1845	3,294,000	109	207,000
1846	3,405,000	113	318,000
1847	3,551,000	117	464,000
1848	3,176,000	105	89,000
1849	3,134,000	104	47,000
1850	3,225,000	107	138,000
1851	3,243,000	107	156,000
1852	3,404,000	113	317,000
1853	3,789,000	125	702,000
1854	4,055,000	134	968,000
1855	4,105,000	136	1,018,000
1856	4,093,000	135	1,006,000
1857	4,080,000	135	993,000
1858	3,926,000	130	1,177,000
1859	4,111,000	136	1,362,000
1860	4,228,000	140	1,479,000
1861	4,197,000	139	1,448,000
1862	4,153,000	137	1,404,000
1863	4,204,000	139	1,455,000
1864	4,262,000	141	1,513,000
1865	4,383,000	145	1,634,000
1866	4,440,000	147	1,691,000
1867	4,566,000	151	1,817,000
1868	4,609,000	152	1,860,000
1869	4,730,000	157	1,981,000
1870	4,933,000	163	2,184,000
1871	5,178,000	172	2,429,000
1872	5,332,000	176	2,583,000
1873	5,634,000	186	2,885,000
1874	5,900,000	195	3,151,000
1875	6,051,000	200	3,302,000
1876	6,055,000	200	3,306,000

To complete the view of the circulation two tables are given below showing the issues of the Bank of England, and those for the whole of the United Kingdom. It is only right to mention that all these figures are taken from a most valuable series of statistics compiled by Mr. Palgrave, and published in the Bankers' Almanac.

The first point that strikes one on a perusal of these figures is the very slight increase in the paper currency since the passing of the Act, when the enormous development of trade during the intervening period is taken into consideration. It is quite clear that but for the economy effected by the extension of banking among the public, and the establishment of the Clearing system amongst bankers, the present amount of notes issued would be totally inadequate to the requirements of the day. A century ago it was believed that without the privilege of issuing notes, the business of a banker could not be successfully conducted; now we see some of the greatest banks in every sense of the word who have never issued notes, and of those who did so many have voluntarily relinquished the advantage, such as it is.

Doubtless the diminution of the country circulation is due in great part to the restrictions imposed by the Act of 1844, but it is by no means entirely so, as we find that a large proportion of banks of issue are invariably from 25 to 50 per cent. under their authorized limit, some even more.

TABLE VI.—*Annual average circulation of Bank of England Notes for the years* 1844-76, *also the proportion in each year to* 1844.

Year.	Amount.	Proportion to 1844. 1844=100.	Year.	Amount.	Proportion to 1844. 1844=100.
1844	20,250,000	100	1861	19,992,000	99
1845	20,674,000	102	1862	20,835,000	103
1846	20,252,000	100	1863	20,664,000	102
1847	19,123,000	94	1864	20,605,000	102
1848	18,086,000	89	1865	21,117,000	105
1849	18,438,000	91	1866	23,159,000	114
1850	19,448,000	96	1867	23,438,000	116
1851	19,460,000	96	1868	23,932,000	118
1852	21,910,000	108	1869	23,483,000	116
1853	22,602,000	112	1870	23,327,000	115
1854	20,688,000	102	1871	24,416,000	121
1855	19,830,000	98	1872	25,492,000	126
1856	19,667,000	97	1873	25,645,000	127
1857	19,467,000	96	1874	26,264,000	130
1858	20,248,000	100	1875	27,346,000	135
1859	21,326,000	106	1876	27,733,000	136
1860	21,252,000	105			

TABLE VII.—*Annual average of the total Note circulation of the United Kingdom for the years* 1844-76, *also the proportion in each year to* 1844.

Year.	Amount.	Proportion to 1844. 1844=100.	Year.	Amount.	Proportion to 1844. 1844=100.
1844	37,380,000	100	1861	36,585,000	98
1845	38,627,000	103	1862	36,746,000	98
1846	38,647,000	103	1863	36,313,000	97
1847	36,043,000	97	1864	36,431,000	97
1848	32,371,000	86	1865	37,277,000	100
1849	32,092,000	86	1866	38,633,000	103
1850	33,515,000	90	1867	38,915,000	104
1851	33,376,000	89	1868	39,772,000	106
1852	36,542,000	98	1869	39,871,000	107
1853	38,881,000	104	1870	40,050,000	107
1854	37,869,000	101	1871	42,188,000	113
1855	37,197,000	99	1872	43,598,000	117
1856	37,202,000	100	1873	43,426,000	116
1857	37,009,000	99	1874	43,912,000	117
1858	36,347,000	97	1875	45,271,000	120
1859	38,737,000	104	1876	45,970,000	120
1860	38,770,000	104			

The total amount of fixed issues, that is, issues that need not be backed by coin or bullion, in the United Kingdom at present (January, 1877) is :

Bank of England	£15,000,000
English Private Banks . . .	3,807,992
„ Joint-stock Banks . . .	2,652,993
Irish Banks	6,354,494
Scotch Banks	2,749,271
Total	£30,564,750

It is not proposed to go into the controversy which may be said to have raged ever since the passing of the Act of 1844, as to whether the measure has or has not been successful in the attainment of the avowed objects of its authors, or whether it has or has not assisted to produce panics instead of preventing them. The subject has been dealt with by so many authors of ability on both sides without apparently making any converts that it seems better in a practical treatise like the present to be very brief. As already remarked the convertibility of the Bank of England note is practically secured, as it is hardly possible to conceive a chain of circumstances leading to the presentation of any part of the £15,000,000 issued against government securities, and even should such a contingency arise the bank would certainly have had sufficient notice to prepare for such an event. But could not the Bank, under the present enlightened management, have been trusted to look after itself, which in this case would have been equivalent to guarding the interest of the public ? Without the Act of 1844 there would have been the same means of increasing the revenue when occasion required as there are now ; the raising of the rate of discount, and the sale or pledge of securities. And it may fairly be asked whether some of the provisions of the Act have not caused more pressure on the reserve than previously existed ? For instance, owing to the partial withdrawal of the country notes, a purely local demand, which would formerly have been met by local issues, now causes a drain on the central reserve, possibly at a very inconvenient time,

And as to the prevention of panics, in these days the settlement of business transactions by means of notes or gold, as compared with cheques, is so small, and were the Act of 1844 repealed to-morrow would hardly be larger, that it is difficult to see what effect the restriction could have in that direction. The truth is, panics are the result of speculation and over-trading, and no regulation of the issue of bank notes will touch these causes. Speculation is carried on by means generally of advances through the medium of banks, and do not necessarily cause the issue of a single bank note. It is when the crisis comes, when cheques and bills of exchange are discredited, that the rush for bank notes ensues. And what happens then? after a period of high rates of discount, panic, and failures, the Act is suspended, and gradually things work round to their normal condition. Clearly it cannot be all right with a law that on three several occasions has, to save a general bankruptcy, been obliged to be suspended, and which every one knows beforehand will be again, under similar circumstances.

When the Act of 1844 came into operation, the bank directors lowered the rate of discount, and from that time until November, 1845, the minimum rate did not rise above 2½ per cent. At that date the bullion having fallen from £15,000,000, at which it stood in September, 1844, to about £13,500,000, the rate was raised to 3½ per cent. In August, 1846, the bullion amounted to upwards of £16,000,000, and the rate was lowered to 3 per cent. The harvests had for some years been remarkably good, particularly that of 1844, but the following year the wheat crop was very deficient, and not only that, but the potato disease made its appearance, causing an almost total failure in Ireland.

At the same time the effects of the enormous speculations in railway securities were beginning to be severely felt. It was stated in a paper read before the Statistical Society in January, 1847, that the amount of capital for railways alone for which parliamentary sanction was asked in the session of 1846 was £340,000,000.

From August, 1846, the bullion began steadily to decrease, and nothwithstanding that the Bank rate was raised in January, 1847, to 3½, and then to 4 per cent., it still continued to diminish until, on the 10th of April, it had fallen to £9,800,000. Stringent measures were then taken, discount accommodation was greatly curtailed, and extreme rates charged. For a little while a better state of things ensued; it was, however, but short-lived. In the summer a number of very heavy failures principally in the corn trade, took place, other branches of business became involved, and finally, several bill brokers and bankers stopped payment.

On the 23rd October the bullion in the Bank had fallen to £8,300,000, and the reserve to less than £2,000,000. On the 25th the Government letter to the bank was written, requesting them to continue their advances, and promising that if by so doing any violation of the Act of 1844 should be committed that an application should be made to Parliament for an Act of indemity. Instantly an improvement was apparent, the fact that notes could be had if wanted stopped the worst of the panic, and no actual infringement did take place.

The panic of 1847 cleared away a vast number of unsound business houses, and trade generally became much more sound and healthy; this lasted until the year 1855, when there was a considerable pressure owing to speculation more or less engendered during the Crimean war, which, however, passed off for the moment.

The second occasion of the suspension of the Bank Act was in 1857, when another monetary crisis took place. The causes, in the opinion of the Committee of the House of Commons appointed to inquire into the matter, leading to the panic of that year were three, viz.

1st. An unprecedented extension of our foreign trade.

2nd. An importation of gold and silver on a scale unknown in history since the period which immediately succeeded the first discovery of America.

3rd. A most remarkable development of the economy

afforded by the practice of banking for the use and distribution of capital.

All these combined naturally caused a vast amount of speculation, but at the same time no particular uneasiness manifested itself in this country until the month of September, 1857, when news arrived from America of the great depreciation of railway securities, very largely held in England. This was rapidly followed by the intelligence of failures of banks in Philadelphia, Baltimore, and New York. In the last-named city 62 out of 63 banks stopped payment. These disasters were felt with terrible force in Liverpool, Glasgow, and London. On the 27th October the Liverpool Borough Bank closed its doors. On the 7th November, Dennistoun and Co. stopped payment, with liabilities of upwards of £2,000,000. On the 9th the Western Bank of Scotland stopped, and on the 11th the City of Glasgow Bank were added to the list.

Numberless other banks and commercial houses were brought down, despite the liberal assistance rendered by the Bank of England, and on what scale that help was given the following figures will show:

	Bullion.	Reserve.	Discounts and advances.
November 10th ...	£7,411,000 ...	£2,420,000 ...	£14,803,000
„ 11th ...	6,666,000 ...	1,462,000 ...	15,947,000
„ 12th ...	6,524,000 ...	581,000 ...	18,044,000

On the 12th the Government issued the letter which the 'City' had been expecting, practically authorising the suspension of the Bank Act, but the effect was not so instantaneous as in 1847. The demand for discounts and advances still continued. By the 21st this item had increased to £21,600,000, an amount exceeding the total of the public and private deposits, and more than double what had been advanced on the 27th October, when the first bank failure was announced.

In 1847 it was not found necessary to infringe the provisions of the Act of 1844, but on this occasion there was an excess of issue during eighteen days, the highest excess being £928,000, and the average £488,000.

The third, and at present the last occasion on which the Bank Act has been suspended was in 1866, a period of excitement and alarm still fresh in the minds of commercial men. It cannot be said that the disasters of that year were unexpected; on the contrary, the feeling had been for months previously that nothing short of a monetary convulsion could put an end to the eminently unsound state of things.

The banking and finance companies, of which so many had been started in the years 1863—5, seem to have generally gone on the principle that 'business' must be done and that profits must be shown, if only on paper. The quality of the 'business' was quite a secondary consideration. Such being the case, it is not to be wondered at that the numberless adventurers who are always on the look-out for opportunities were quite ready to oblige them. All sorts of companies were started, the capital of which was really provided by banks and finance institutions, bills being freely discounted which had nothing whatever to back them, and cost but the stamps to create. The credit thus obtained was supported by renewals, but such a system it was evident could endure but for a limited time.

One of the worst offenders in this way, the Joint Stock Discount Company, failed in February, followed in March by Barned's Banking Company at Liverpool. The feeling of distrust thus engendered was still further increased by the stoppage of several railway contractors, who were deeply implicated in the 'financing' system. On the 3rd May the Bank rate was raised to 7, on the 8th to 8 per cent., and on the following day the decision in certain actions against the Central Wales Railway Company on some dishonoured bills was given in the Court of Common Pleas in favour of the defendants, on the ground that a railway company had no authority to accept bills, thus at once rendering utterly worthless an untold amount of these securities then current.

This brought matters to a climax; Overend, Gurney and Co., who held a large quantity, applied to the Bank

for assistance and being refused, immediately suspended. This was on the 10th. The next day, now known in the City as 'black Friday,' witnessed a panic compared with which all others sink into insignificance. The Bank of England made a further advance in the rate of discount to 9 per cent., in spite of which bills were discounted and loans granted to the extent of £4,000,000 during the day. Late in the evening the Chancellor of the Exchequer announced in the House of Commons the suspension of the Bank Act, coupled with the information that the directors had been recommended to charge a minimum rate of discount of not less than 10 per cent.

A notion of the pressure on the Bank for assistance may be gathered from the fact that in five days the loans granted amounted to £2,874,000, and the bills discounted to £9,350,000, making a total of £12,224,000. When the Government letter was issued the reserve was a little over £3,000,000, but with these enormous advances it was still further reduced, until the return of the 30th May showed only £860,000. No actual infringement of the Act took place, though it is no secret that this was the result of management, and was really more technical than real. By the 16th August, the reserve having increased to £4,600,000, the minimum was placed at 8 per cent. and was also reduced 1 per cent. in each of the two following weeks.

Now, the most casual glance at the accounts of the two departments of the Bank during each of these panics reveals the fact that, while on the one hand the issue had no strain upon it, that no one was more than usually anxious to exchange notes for gold, the banking department was in imminent danger, so much so that but for the issue of the Government letters payment must have been suspended in 1847, 1857, and perhaps also in 1866.

True, it would have been a great national calamity to have had the Bank of England note inconvertible for ever so short a time; but it is doubtful whether it would have materially affected its value. But who can picture the consequences of a suspension of the banking depart-

ment? And would the most extreme supporter of the Act of 1844 advocate pushing matters to such a length as to insist that the Bank of England should commit a practical act of bankruptcy for the sake of locking up certain millions of bullion in its cellars for the benefit of one class of its creditors, that being the especial class who did not want it?

It is generally assumed, as a matter of course, that the securities and bullion in the issue department are the absolute property of the holders of notes; this does not appear to be stated in the Act; certainly it has not been judicially decided to be so, and in all probability never will be.

The point is only alluded to here for the sake of mentioning a practical anomaly, if the above view be correct; that whilst in the event of the bankruptcy of a bank of issue the note-holder has no priority over the rest of the creditors, should such a misfortune happen to the Bank of England, the note-holders would be fully secured.

The answer probably lies in the fact that Bank of England notes are, whilst country notes are not, a legal tender.

It is a matter of great controversy whether the Bank of England is bound to consider anything beyond its own interests; whether it is any part of its duty to keep a larger reserve than is requisite for its own needs. It has even been proposed that the restrictions on the issue should be removed, and instead a sliding scale of discount should be adopted to vary with the amount of reserve. If such a scale could be worked, which it assuredly could not, it would be eminently unjust; but the fatal objection to it is that the Bank has not the command of the money market. The Directors cannot fix the rate in the open market, and under such a rule the Bank rate would be constantly above or below the market. It must also be remembered that a foreign drain of bullion and a domestic drain require totally different treatment, the latter being generally of a special and temporary character.

Till within a comparatively recent time it has been supposed on all hands that the Irish and Scotch banks of issue were precluded from carrying on business in England. Now, however, a great difference of opinion exists on the subject, and several Scotch banks have opened offices in the North of England and also in London. The National Bank of Scotland led the way in London, the Bank of Scotland followed suit, and the Royal Bank, who were by their charter prohibited from transacting business out of Scotland, have now obtained an Act of Parliament releasing them from this disability and joined the invaders.

The representatives of the Scotch banks say that the change in the course of business in the north has of late years tempted their customers to open accounts in London, and that the instinct of self-defence caused them to offer the facilities that would otherwise have been obtained through the existing banks in the metropolis.

The London bankers, and the provincial bankers in the northern counties of England, who are at present chiefly affected, say that banks of issue in Scotland are prevented by existing laws from carrying on business in England. It is also contended on their behalf, and with much truth, that inasmuch as English bankers, though not legally, are practically excluded from Scotland, it is not just that Scotch banks should be allowed to come to England. It is, therefore, demanded that, if the law as it now stands will not prevent such unfair competition, fresh legislation may be resorted to for the purpose.

The reasons why the English banks are unable to carry on business in Scotland are, as already mentioned, rather practical than legal. There the only legal tender is gold, but by long habit the Scotch have come to prefer the £1 notes as the circulating medium. If, therefore, an English bank crossed the border, as the Act of 1845 would prevent their issuing their own notes, they would either be obliged to obtain notes for 'till' purposes from the other banks, who naturally would not be anxious to assist their rivals, or they would have only gold to offer, which would be unacceptable to the Scotch public.

The Scotch position is that by the Act of 1826 all restrictions to the opening of branches of Scotch banks in England beyond the sixty-five miles' radius were removed, and that they could then issue notes in England, even the small ones. That in 1828 their power to issue £1 notes in England ceased, but that up to 1833 they could still have issued notes of £5 and upwards. That by the Act of 1833 they were permitted to establish themselves in London, but that if they availed themselves of this privilege the right of issue in England beyond the sixty-five miles' radius would lapse.

In the early part of 1875 Mr. Goschen, one of the members of Parliament for the City of London, brought in a bill in the interest of the English bankers by which it was proposed that English banks of issue should be restricted to the provinces in England, Scotch banks of issue to Scotland, and Irish banks of issue to Ireland. This bill was not passed, but was shelved pending the report of a select committee which sat during the whole of the session of 1875, took a large amount of evidence, and recommended their reappointment in 1876, which for some reason or other did not take place.

The Scotch banks gave a sort of undertaking to the Chancellor of the Exchequer (Sir Stafford Northcote) that they would open no more branches either in London or the provinces until the question was legally settled.

It can hardly be denied that the English bankers have a grievance. Upon what principle can it be required that the National Provincial Bank of England should lose their issue on commencing business in London, whilst the Bank of Scotland, under exactly similar circumstances, retain theirs? Nor is there much force in the argument that it would be unjust to England to deprive its commerce of the use of the Scotch surplus capital. In the first place it may be taken for granted that if the Scotch banks cannot employ their funds in Scotland these funds will find their way to England through the bill brokers or London agents even if Scotch banks are excluded; and secondly, the English banks may safely be trusted to

supply any quantity of capital that trade may require. Nor is there any danger that the absence of competition will lead to undue rates being charged for accommodation. Any practical banker knows well that the tendency is rather in the opposite direction.

It is to be hoped that a favorable occasion may shortly present itself for the consideration of the question by Government, and in the interests of all parties that a satisfactory settlement may be arrived at. It is generally agreed that it was the intention of the framers of the Bank Acts that the English, Scotch, and Irish banks should be restricted to their own countries; that being the case justice requires that if an advantage accrues to the Scotch and Irish banks or the public through an oversight, some compensation should be made to the English banks. So far as any expression of opinion has emanated from the Government, it indicates the existence of an intention of settling this matter by the introduction of a larger measure for dealing with the paper currency of the United Kingdom.

CHAPTER XVI.

THE PROGRESS OF BANKING IN THE UNITED STATES.

A COUNTRY which is peopled by a greater variety of races than any other is sure to suffer materially by comparison with other nations as regards homogeneity. The different races which have come together in the United States having this difficulty to contend with in the process of welding heterogeneous materials into one nation, there would seem to be, as the result of such an experiment, a greater diversity of interests, and in consequence a greater disinclination of the particles or individuals to cohere for their mutual benefit than is found in countries formed by a more gradual process of merging alien races.

From the Government of the United States downwards the system upon which the nation's affairs, both political and social, are managed reminds us very much of that which would be pursued by a partnership arrangement among the children of several families who had prematurely suffered the loss of their parents. In making this analogy we do not mean to be disrespectful to our kinsmen and the national fabric which in many respects we are proud to acknowledge as an offshoot of the British Empire, and we venture to affirm that this statement can be supported by the written opinions of Americans themselves. A hundred years has no doubt made a difference in many respects, but we think the comparatively recent revelations of corruption among the government officials from the highest to the lowest, shows clearly enough that commercial morality and patriotism are plants in that vast community of but a feeble growth. The prime object with thousands who go

to America is to make a fortune and return, and it is not difficult to understand that in such circumstances social position, political fame, and a desire to be respected for consistent integrity of purpose, are considerations secondary to that of the power and influence which is enjoyed by the millionaire. The inhabitants of the United States strive to do everything with an electric speed; while much is achieved, and a good deal is done well, that form of construction which is in the nature of it incompatible with rapidity necessarily suffers. The very atmosphere of the United States has, from the commencement of the colonization, been charged with different elements to those in which the work in the old world has been perfected, and which is in consequence so much more worth preserving. The life of a generation in the new world may be said, with little exaggeration, to resemble closely that of the successful gold miner, who in the brief period of his existence is able to enjoy luxuries which few in Europe can partake of who are not heirs to fortunes, or the great grand descendants of hard-working successful men of business. Thus it comes that all the institutions, whether they be banks or any other, that have been created in the United States have been reared upon too slender a foundation, and have, as a rule, been forced to unnatural and unsound development.

No stronger proof of the correctness of this line of argument could be advanced than the declaration of the Hon. E. G. Spaulding, that "the great mistake—greater than all other mistakes in the management of the war (the rebellion of the southern states which was finally quelled in 1865)—was the abrogation of the right to fund the greenback currency into gold bonds, as provided for in the two preceding acts." In his centennial address at the meeting of the bankers' association at the international exposition at Philadelphia on May 30th, 1876, Mr. Spaulding reverted to the subject, and made the following remarks:

"All the other mistakes, civil and military, which occurred during the war were of slight consequence when compared with the mischievous and grave consequences

resulting from this one mistake. Taking away from the holder of this paper currency the right to redeem it on demand in gold bonds, besides being manifestly unjust to the holders, let the Government and the whole country—banks and people—down into the *slough* of an irredeemable paper currency, where we have remained for over eleven years. From 1864 to 1876 it has been a dead weight on the business and industry of the country, without elasticity, and without any provisions whatever being made for its redemption or payment. Its redundancy, and consequent depreciation, has operated very injuriously to the legitimate business of the country. It was an instrument of expenditure, a visible evidence of the waste of war, and not possessing the essential elements of a commercial currency. A majority of the people, however, have been deluded into the belief that those broken promises, mere evidences of debt, were money and a proper standard of value as a basis for doing business, and have plunged headlong into all sorts of speculation, unprofitable enterprises, extravagance in living, general abuse of credit, idleness and consequent demoralization.

"If the right to fund the greenbacks into the 6 per cent. gold bonds had not been abrogated, no financier or practical business man whose opinion is worth quoting can doubt that we would have gone to specie payment within two or three years after the close of the war, in spite of ourselves. The individual indebtedness at the close of the war in 1865 was small. Every one was comparatively free from debt. The 6 per cent. gold bonds were sought for as an investment. They soon appreciated to par in gold, and if the right to fund had been continued, the greenback currency would have appreciated to par in gold along with bonds. The legal tender act would have served its purpose as a war measure, and we would have returned to the specie standard without material detriment to the legitimate business of the country. In this way we would have avoided a large part of the extravagance and demoralization that has been so reckless since the close of the war."

The strenuous efforts that were made to pay off the debt incurred through that war were laudable enough from one point of view, but from that of scientific economy may be likened to the ingenuity of the driver of a heavily-laden van who on reaching the bottom of a hill should elect to procure additional horses to drag his load up the next in preference to removing the skid. Of all obstacles to the development and prosperity of a great commercial country protective tariffs and a depreciated currency are the worst. As regards the former the object very likely was the emancipation of the States from European manufacturers. There are no signs as yet of success being achieved in this respect, although many gloomy predictions have been made on the subject.

With reference to the latter we prefer to give Mr. Spaulding's opinion. In treating the subject he speaks of the panic of 1873, "after the right to fund the greenback currency into 6 per cent. gold bonds was revoked in 1863, which rendered this currency irredeemable, credit became so expanded under the excessive issues of paper currency and other obligations during the war, that neither the banks, the Clearing House, nor any other human agency could restrain it within reasonable limits, especially under the vacillating course adopted by congress. The abuse of credit became general in the creation of debts in all its forms—states, cities, counties, corporations, and individuals combined to swell the paper bubble until it finally burst in the great panic of 1873. The combination of the banks in the Clearing House in New York exerted a most powerful influence in staying the calamity, and preventing the general suspension of all the banks. By an extra form of credit in the shape of Clearing House certificates, they continued to pay and liquidate a very large amount of debts each day, without paying money for even resulting balances. The Clearing House associations in other cities exerted a favorable influence in the same direction. The panicy feeling passed away in due time, and the banks again resumed their former mode of settling balances. The temporary Clear-

ing House certificates improvised during the panic were soon after redeemed and taken off the market."

There was no organized bank in the thirteen colonies when their independence was declared in 1776. Gold and silver were the basis upon which the limited foreign commerce was carried on. At the present time there are according to Mr. Spaulding within the United States 907 chartered state banks, 2118 national banks, 666 savings banks, and 2375 private bankers, making a total of 6066. The same authority gives the following particulars of the banks that were organized in the early years of the Republic.

Bank of North America.

"The first bank organized in the United States was the Bank of North America, at Philadelphia, in 1781. This institution was established under the auspices of Mr. Morris, Superintendent of Finance, and a delegate to the Continental Congress from the State of Pennsylvania.

"During the year preceding its incorporation the finances and credit, both of the States and of the Continental Congress, were, as before stated, almost entirely exhausted. In order to procure supplies for the support of the Army, Congress and several of the State Governments had been obliged to have recourse to the issuing of bills of credit, which was the principal circulating medium.

"On May 10th, 1775, soon after the battle of Lexington, Congress made provision to issue Continental paper to circulate as money—$2,000,000 of which were put in circulation, commencing five days after the memorable battle of Bunker Hill.

"From month to month these issues, which in the aggregate reached $350,000,000, depreciated until eventually they became entirely valueless, notwithstanding the laws making them a legal tender for private debts. Until the issues exceeded $9,000,000 Continental currency, according to the concurrent testimony of Mr. Jefferson and Mr. Paine, passed at its nominal value. The depreciation was afterwards very great. In May, 1781, this

currency ceased to circulate as money, but was afterwards bought on speculation at various prices, from 400 to 1, up to 1000 to 1. On May 17th, 1781, a plan for a National Bank was submitted to the Continental Congress, the principal provisions of which were as follows : The capital to be $400,000, in shares of $400 each ; that there be twelve directors chosen from those entitled to vote, who at their first meeting shall choose one as president ; that the directors meet quarterly ; that the board be empowered, from time to time, to open new subscriptions for the purpose of increasing the capital of the Bank ; statements to be made to the Superintendent of the Finances of America ; that the bank notes payable on demand shall by law be made receivable in the duties and taxes of every State, and from the respective States by the Treasury of the United States ; that the Superintendent of the Finances of America shall have a right at all times to examine into the affairs of the bank. On May 26th Congress passed the following resolution : 'That Congress do approve of the plan for the establishment of a National Bank in these United States, submitted for their consideration by Mr. R. Morris, May 17th, 1781, and that they will promote and support the same by such ways and means, from time to time, as may appear necesary for the institution and consistent with the public good ; that the subscribers to the said bank shall be incorporated agreeably to the principles and terms of the plan under the name of 'The President, Directors and Company of the Bank of North America.' So soon as the subscription shall be filled and the president and directors chosen, an application for that purpose was made to Congress by the president and directors elected.' On December 31st, following, Congress passed 'an ordinance to incorporate the subscribers to the Bank of North America.' The first president was Thomas Willing, and the bank formed a most important auxiliary in aid of the finances of the Government to the final conclusion of the war. This institution was incorporated by the State of Pennsylvania on April 18th, 1782. The bank commenced business in

January, 1782, with a capital of $400,000, of which $250,000 was subscribed by the Government. In the year 1785, when an ill-feeling had arisen between the Government of the State of Pennsylvania and the bank, the former repealed the charter which it had granted in 1782. The bank, however, continued its operations under the charter granted by the General Government until in 1787, when it was rechartered by the State of Pennsylvania. It has, from time to time, been rechartered, and in 1865 it was reorganized under the National Bank law, and now has a capital of $1,000,000, and a surplus of the same amount.

"Previous to the time when this bank commenced operations the Continental army became very much reduced, the necessary articles of clothing and provisions could not easily be procured, the soldiers became dissatisfied, and fears were entertained that the campaign must terminate unfavorably, or in a relinquishment of everything for which the American people were then contending. Owing, however, to the timely aid of Mr. Morris and other patriotic citizens, and the support given to the financial department of the Government by the establishment of this bank, confidence was in a great measure restored."

Bank of New York—1784.

"This was the first organized bank in New York. Its business was commenced as an association without charter on 9th of June, 1784, under the name of 'The President, Directors and Company of the Bank of New York,' in the Walton House, Franklin Square, then known as 159, Queen Street.

"The first president was General Alexander McDougall. The bank removed to Hanover Square and continued business as an association until 1791, when on the 21st of March of that year a charter was granted by the Legislature of New York for a period of twenty years, with a capital of $900,000, divided into 1800 shares of $500 each, with the addition of a subscription on the part of the

State of 100 shares of the same amount—total, $950,000. Business under the charter began May 2nd, 1791.

"On the 18th of May, 1752, the Bank of New York was reorganized as an association under the general banking law of the State of New York, with the name and title of 'The Bank of New York,' and the capital increased to $2,000,000. On the 17th of April, 1857, the capital was increased to $3,000,000, and on July 6th, 1865, it was organized under the National Bank act under the name of 'Bank of New York National Banking Association.'"

"*The Bank of the Manhattan Company,*

in the City of New York, was organized under an act of the Legislature of the State of New York, passed April 2nd, 1799, with a capital of $2,000,000. The chief object of the act appearing on its face, was to supply water to the City of New York, but there was a section in the act which, it was claimed, conferred perpetual banking powers. The words in the act were that the corporation might employ its surplus capital 'in the purchasing of public or other stock, or in any other moneyed transactions or operations not inconsistent with the Constitution and laws of this State or of the United States.'

"On the 25th of March, 1808, it was authorized to increase the capital stock $50,000, and it is now carrying on business with a capital of $2,050,000.

"The Bank of the Manhattan Company is the fiscal agent of the State of New York in the City of New York. It keeps a registry of the State stocks, pays the interest, and also makes the transfers on the books, under the general supervision of the State Comptroller and Treasurer."

"*The Merchants' Bank*

is the third of the old banks organized in the City of New York. Like the Bank of New York, it was first organized as a 'Company or Limited Partnership' in 1803, with a capital of $1,250,000. On the 26th of March, 1805, an

act was passed 'to incorporate the stockholders of the Merchants' Bank.' On the 2nd of February, 1831, the charter was renewed (subject to the provisions of the Safety Fund Act of New York, which was passed April 2nd, 1829), with authority to continue its business until January 1st, 1857. It was subsequently organized under the General Banking Law of New York, and in June, 1865, it was organized under the National Bank Act, and its present capital is $3,000,000."

Bank of Massachusetts.

"The Bank of Massachusetts at Boston was the first bank organized in the New England States.

"During the latter portion of the year 1783 a movement was made in the town of Boston, Mass., to obtain subscriptions for the Capital Stock of a Bank, under the following preamble:

"'Taught by the experience of many nations, that well-regulated Banks are highly useful to society, as they promote punctuality in the performance of contracts, increase the medium of trade—facilitate the payment of taxes,—prevent the exportation of and furnish a safe deposit for cash; and in the way of discount, render easy and expeditious the anticipation of funds at the expense only of common interest; whilst by the same means they advance the interest of the proprietors: We the subscribers, desirous of promoting such an institution, do hereby engage to take the number of shares set against our respective names, in a bank to be established in the town of Boston.'

"Under the foregoing preamble the requisite number of subscribers were readily obtained, and at the Session of the Legislature of Massachusetts, which opened on the first Wednesday in January, 1784, a petition was presented for a Bank Charter, by a committee of the subscribers for stock, consisting of William Phillips, Isaac Smith, Jonathan Mason, Thomas Russell, John Lowell and Stephen Higginson, Esquires.

"Upon their application, and after due deliberation, a bill was enacted under the name of the President and Directors of the Massachusetts Bank, with a capital not to exceed five hundred thousand pounds, which bill was passed on the 7th day of February, 1784. This bank commenced business July 5th, 1784, with a capital of $300,000, at which time it opened an account with the Bank of North America, Philadelphia, and the Bank of New York, and these are continued with the Massachusetts bank to the present time. In 1865 this bank was organized under the National Bank Act, and its present capital is $800,000."

The necessity for placing the currency on a sound basis and restoring confidence in the credit of the Government led to the attention of Congress being directed to these matters, and pursuant to a resolution of that body of the 9th of August, 1790, the Secretary of the Treasury prepared a report in which he recommended the establishment of a National Bank. That report was referred to a committee, a charter was granted, and the capital was to consist of ten millions of dollars in 25,000 shares of 400 dollars each. The French revolution broke out about the time this bank commenced business, but a considerable degree of success seems to have marked its progress. Mr. Spaulding says on the subject:

"Great advantages, and beneficial results, in consequence of the establishment of a National Bank, were generally experienced by the Government, and by every class of community, during the continuance of its charter, —the public funds were kept in a safe depository,—the credit of the nation was established upon a firm and solid basis,—the demands of public creditors were promptly paid at places convenient to them, and in a currency equal to gold or silver, in all parts of the United States. The Government realized a profit of $671,860 on the sale of two millions of its Stock. A salutary restraint was exercised upon State Banks as to the amount of their issues, and as to a failure in promptly redeeming their bills in specie,—a reasonable amount of circulating medium was

afforded to the community, whereby the industry of the country was brought into profitable and successful operation, and a steady, uniform, and safe currency was afforded to every one.

"During the period covered by the charter of the first United States Bank the population increased from 3,929,827 in 1790, to 7,239,814, and 89 new banks were created under State charters with an aggregate capital of $40,601,601. This was no more than was demanded by the increased volume of business. The country flourished in all the essential elements of wealth and power. "Public and private credit was raised from its prostrate condition at the close of the war to a very elevated condition, and the finances of the nation were placed upon the most solid foundation." There was reasonable ground to hope that an institution which had proved so beneficial to the country would be preserved and cherished as the continuing base on which might be permanently established the industrial and commercial policy of the Government."

The charter of this the first United States Bank expired on the 4th of March, 1811. On the 20th of April, 1808, the stockholders memorialized the Senate for a renewal, but the bill was defeated. In June, 1812, war was declared against Great Britain, and the same authority states that

"In a short time more than all the disasters to the country predicted by the supporters of the bank in consequence of its dissolution were verified. We soon learned, from sad experience, that although pretended wise legislators could form new plans of finance on paper, which to some would appear quite plausible, still, on trial, the most essential thing was wanting—the State bank machinery would not work for national purposes in a great war. The country was soon flooded with from forty to fifty millions of new State bank currency, with scarcely even a nominal basis of coin for its support. The inevitable consequence was little delayed. In September, 1814, all the banks outside of New England suspended specie payments. The Secretary of the Treasury informed Congress that he had been under the necessity

of selecting ninety-four different State banks, from Maine to Louisiana, as depositories of the United States Government.

"The various kinds of paper money in circulation made it necessary to keep four separate ledger accounts in each; and thus, instead of a single account, which was all that the Treasury required when the Bank of the United States was its fiscal agent, the Government finances were represented by 276 different bank accounts, scattered from one end of the country to the other. But, what was still more serious, it was found impossible to maintain that continuous supervision of the revenues, and to exact those periodic settlements which constitute the only effectual safeguard against error, demoralization and fraud. The banks were ready enough to receive the dues of the Government, but, specie being no longer a part of the currency, the Treasury was forced into a corner. It could not receive irredeemable State bank currency, and all its efforts to obtain settlement were futile. Thus the Treasury funds, amounting to nearly nine million dollars, were locked up in the suspended banks. As a consequence, the Government fell in default on the interest of its funded debt. Its Treasury notes were dishonoured, the business of daily life was prostrated, and universal distrust prevailed. 'The multiplication of State banks has so increased the quantity of paper currency,' said Secretary Dallas, in his report to Congress, 'that it would be difficult to calculate its amount, and still more difficult to ascertain its value.'

"The last year of the war presented the singular and melancholy spectacle of a nation abounding in self-devoting patriotism, and a government reduced to the very brink of avowed bankruptcy, solely for the want of a national institution which, at the same time that it would have facilitated the Government loans and other Treasury operations, would have furnished a circulating medium of general credit in every part of the Union.

"The Government borrowed, during a short period of the war, eighty millions of dollars, at an average discount

of fifteen per cent., giving certificates of stock, amounting to eighty millions of dollars, in exchange for sixty-eight millions of dollars, in such bank paper as could be obtained. In this statement, Treasury notes are considered as stock, at twenty per cent. discount. Upon the very face of the transaction, therefore, there was a loss of twelve millions of dollars, which would, in all probability, have been saved if the Treasury had been aided by such an institution as the Bank of the United States. But the sum of sixty-eight millions of dollars received by the Government was in a depreciated currency, not more than half as valuable as that in which the stock given in exchange for it has been redeemed. Here, then, was another loss of thirty-four millions, resulting, incontestably and exclusively, from the depreciation of the currency, and making, with the sum lost by the discount, forty-six millions of dollars.

"The finances of the Government continued in a demoralized condition, when on October 6th, 1814, Alexander J. Dallas was called to the head of the Treasury Department. Never before had there been greater need of a master mind in that important office. Within less than a fortnight the new Secretary communicated to Congress a report of extraordinary ability, in which he strongly recommended the establishment of a National Bank, as the remedy required to bring the finances into order. Various plans for a bank were brought forward in Congress, which resulted in nothing until, on January 20th, 1815, a bill was passed. Many of the prominent members of both Houses, who had but five years before defeated a renewal of the former bank, now voted for this bill. It was, however, vetoed, by President Madison, on the ground that it would not accomplish the objects rendered necessary by the state of the revenue and the condition of the country.

"*Second United States Bank*, 1816.

"On April 3rd, 1816, however, another bill for a Bank of the United States, which had previously passed the House of Representatives, was adopted by the Senate. The corporate title of this institution was 'The President, Directors, and Company of the Bank of the United States.' Its capital was to be $35,000,000, composed of 350,000 shares of $100 each. $7,000,000 of the stock was to be subscribed by the United States, and the remaining $28,000,000 by individuals, companies, or corporations. The charter was to extend to March 3rd, 1836, and the bank was authorized to organize and commence business as soon as $8,400,000, exclusive of the subscription of the United States, had been paid in. It was prohibited from lending on account of the United States more than $500,000 or to any state more than $50,000, or to any foreign prince or power any sum whatever, without the sanction of law previously being obtained.

"The bank was also obliged, by its charter, to give the Government the necessary facilities for transferring the public funds from place to place within the United States without charging commissions, or claiming any allowance on account of the difference of exchange, and to transact all business of commissioners of loans when required so to do. The bank was prohibited from issuing bills under the denomination of $5.

"This bill was approved by the President, James Madison, on the 10th of April, 1816, and the Bank went into operation on the 7th of January, 1817.

"In the latter end of the same month a meeting of delegates from the banks of New York, Philadelphia, Baltimore, and Virginia, took place at Philadelphia, with a view to a general and simultaneous resumption of specie payments. In consequence of a compact between them and the Bank of the United States, sanctioned by the Secretary of the Treasury, cash payments were resumed. To facilitate this object, the Bank of the United States

imported from abroad seven millions of dollars in specie, and agreed to afford reasonable assistance to such of the State Banks as might require it. The resumption of cash payments was now general throughout the Union.

"The year 1819 was one of great commercial difficulty in America. This distress was attributed to those measures which it had found necessary to adopt in order to effect a return to specie payments. To accomplish this object, the State Banks had been compelled to restrict their issues by limiting their discounts.

"Many of those Banks which were formed at the dissolution of the first Bank of the United States, which had in the first instance made very liberal advances to the Western States, were obliged to resort to measures for compelling the repayment of their loans. Those too who had contracted debts either to the banks or to private parties in the depreciated currency, sustained considerable loss when required to discharge their obligations in a currency convertible into gold.

"Specie payment having been firmly established after the organization of the Second Bank of the United States, the finances of the Government were in a good condition down to 1833—4. A uniform currency upon a specie basis was furnished to the people in all parts of the United States. From 1820 to 1834 the business of the country was in a prosperous condition, and the Government accumulated a large surplus.

"Mr. Dallas was succeeded in the Treasury by William H. Crawford, of Georgia. On the 12th of February, 1820, he made an able report on the currency which was very favorable to the bank for so conducting its operations as to establish and maintain a specie basis for all business transactions.

"Hon. Richard Rush, of Pennsylvania, succeeded Mr. Crawford in the Treasury, who gives the following picture of the state of the commerce subsequent to that date:

"'No term of eight years since the establishment of the Government was so exempt from the influence of external events that disturb the regular operations of

national industry and commerce as the term ending with 1828.' In the Secretary's report of December 6th of that year will be found a general view of the state of the currency, before and after the establishment of the Bank of the United States, sustaining the views already presented by Mr. Crawford concerning the healthful influences of the institution over the general affairs of trade. 'It received the paper of the State banks paid on public account, and, by placing it to the credit of the United States as cash, rendered it available wherever the public service required.' This was in effect to guarantee the State Bank currency on the footing of par in gold and silver. This gave steadiness and prosperity to the legitimate business of the country, and was a salutary check upon too great an expansion of credit, either in the form of currency or bank loans.

"The Bank of the United States located in Philadelphia established a branch or office in each state. At each branch deposits were received, bills and notes of hand discounted, and letters of credit granted payable on demand upon all other branches. Their notes were legally payable at the respective branches where they were issued, but were often paid as a matter of courtesy at the other branches. The *five-dollar notes*, the lowest issued by any branch, were made legally payable at every branch.

"On April 2nd, 1829, the 'Safety Fund Act,' so called, was passed. Mr. Van Buren and his friends then in the control of the State Government at Albany, exerted an important influence in procuring its passage. Banking under special charters was then a monopoly in that State.

"It was very difficult to obtain new charters, and there was considerable hostility manifested at that early period to the United States Bank by those who controlled the State Government."

In December, 1829, President Jackson, more than six years before the expiration of the charter, showed hostility in his first annual message to Congress in these words: "The charter of the Bank of the United States expires in 1836, and its stockholders will most probably apply for

a renewal of their privileges. Both the constitutionality and the expediency of the law creating this bank are well questioned by a large portion of our fellow citizens; and it must be admitted by all that it has failed in the great end of establishing a uniform and sound currency"—views which were repeated in his annual messages in 1830 and 1831.

On the 9th of January, 1832, Mr. Dallas petitioned for a re-charter which was referred to a committee and favorably reported on. After protracted discussions on the subject, however, the President refused his signature to the bill, assigning the following reasons :—"That the act was unconstitutional because the law creating this bank is not one of the necessary and proper means vested in Congress to carry into effect the powers expressly granted; that the bill granted exclusive privileges and was a dangerous 'monopoly;' that it was not subject to State taxation; and that it was ill-timed, inexpedient, and unnecessary for the public service." To this veto message Daniel Webster replied on the 11th of July, 1832, when he said that the objections of the President "go against the whole substance of the law originally creating the Bank. They deny in effect that the Bank is constitutional; they deny that it is expedient; they deny that it is necessary for the public service." Elaborate arguments in favour of rechartering were, however, of no avail. In the autumn of 1832, General Jackson was re-elected President, which settled the question that the second United States Bank must, like its predecessor, go into liquidation. On the 18th of September, 1833, a peremptory order was issued for the removal of the Government deposits which were transferred from the United States Bank to the "State deposit Banks." The amount thus transferred was about eleven millions of dollars, and the ending of the services of this national bank to the Government was the beginning of the inflation of credit upon a scale which must have caused the President to question the expediency of the course he had adopted. In June, 1836, an act was passed authorizing the distribution to the several States of the

supposed surplus funds belonging to the United States Treasury in proportion to their respective representation in the Congress, and it was supposed some forty or fifty millions of dollars were so distributed. The result of this spreading out of the public balances we will give in Mr. Spaulding's words.

"By the successive acts and proceedings just narrated a train was skilfully laid for a general crash in the financial affairs of the government, the Banks, and the people. The natural result of what had taken place during the last six years led inevitably to a general smash-up. The Bank, which President Madison, in his first annual message after approving its charter, declared was "essential for the interests of the community at large, as well as for the purposes of the Treasury," was killed by the veto of President Jackson and forced to wind up its affairs as a national institution; the government deposits were illegally removed to a great number of State deposit banks; the State Banks were increased, upon fictitious capitals, to an alarming extent; bank credits were extended in the form of paper currency and improper loans upon inadequate and unconvertible security; high prices, overtrading and extravagance in living followed as a natural consequence. The catastrophe resulting from this unnatural and reckless state of things could not long be delayed.

"The specie circular issued by President Jackson showed distrust of the state Bank currency; gold and silver was demanded. Failures became frequent in the latter part of 1836, and the early part of 1837. State bank currency, in many cases, was not redeemed in coin when presented for that purpose, and very soon became uncurrent money. The Wild Cat and Red Dog Banks at the West first broke down; the Safety Fund of New York received a blow from which it never recovered, and finally went out of existence.

"Each day developed some new case of insolvency on the part of banks and individuals. Finally, the distrust extended to all classes of business; credit was destroyed; the panic became general, when in May, 1837, all the

banks in the country suspended specie payments, and the "deposits" in the "Pet Banks" to the credit of the Treasurer of the United States became unavailable. The demoralization was complete and general in all private as well as governmental transactions. It was difficult for the Secretary of the Treasury to manage the fiscal affairs of the government; but we doubt if either he or the country derived much consolation from the letter which General Jackson wrote from his retirement at the Hermitage, to the effect that "the history of the world never has recorded such base treachery and perfidy as had been committed by the deposit banks against the government."

With reference to the free Banking Law of New York we are told that "on April 18th, 1838, the monopoly of banking under special charters was brought to a close in the State of New York, by the passage of the act 'to authorize the business of Banking.' Under this law associations for banking purposes and individual bankers were authorized to carry on the business of banking, by establishing offices of deposit, discount, and circulation. Subsequently a separate department was organized at Albany, called 'The Bank Department,' with a superintendent who was charged with the supervision of all the banks in the State. Under this law institutions could be organized simply as banks of 'discount and deposit,' and might also add the issuing of a paper currency to circulate as money. At first the law provided that State and United States stocks for one half, and bonds and mortgages for the other half, might be deposited as security for the circulating notes to be issued by banks and individual bankers. Upon a fair trial, however, it was found that when a bank failed, and the Bank Department was called upon to redeem the circulating notes of such bank, the mortgages could not be made available in time to meet the demand. The mortgages when brought to the test of raising ready money proved to be unavailable, and by an amendment of the law the receiving of mortgages as security for circulating notes was discontinued.

"This law, with the various amendments that have been made, has proved to be a valuable and useful mode of carrying on the business of banking, and ultimately a very large majority of the banks in New York came under its provisions in the transaction of their business. Among them I may name a few of the most prominent.

"The Bank of Commerce in the city of New York organized under the provisions of this act, January 1st, 1839, with a capital of $5,000,000, which was afterwards increased to $10,000,000, and was among the first of the Free Banks in the State. It was a bank of 'discount and deposit' mainly, and issued only a small amount of circulating notes until it came under the provisions of the National Bank Act in 1865."

"The American Exchange Bank is another of the large and prosperous banks which came early under the provisions of the free banking law of New York. Its capital is $5,000,000, and in 1865 it organized under the National Bank Act."

"The Metropolitan Bank of New York City is another among many prominent banks which, at a later period, was organized under the same law with a capital of $4,000,000, and is now doing business under the national law."

Having abolished the National Bank the difficult position the Government found itself in from time to time gave rise to a ten years' earnest discussion in Congress for and against an independent Treasury. The Secretary of the Treasury reported "that the only proper course was for the Government to keep its own money separate from all banks and bankers, in its own Treasury, whether in the Mints, Branch Mints, or other Government agencies; *and to use only gold and silver coin in all receipts and disbursements.*" A complete divorce, in fact, was recommended from all banks and banking transactions. On this basis a Sub-Treasury Act was passed on the 6th of August, 1846, and came into operation on the 1st of January, 1847, with the proviso that Treasury notes might be resorted to if necessary, a little clause which subsequent events showed it was very necessary to add. In a year after the Sub-Treasury

Act became law very little gold was found in the Treasury. Soon after the war with Mexico difficulties were experienced in getting the gold into the Treasury, and the little clause referring to the alternative of paper was almost immediately fallen back upon. Contractors were paid in forced currency notes, and the banking policy of the Government got deeper into the mud than ever.

What a different position the Government might have been in as regards its power to raise money but for the sentimental philanthropy of President Jackson is shown in the following paragraph with reference to the breaking out of the rebellion in 1861:

"The Government of the United States had no National institution to resort to, like the Bank of England, or the Bank of France, for aid to sustain the Union Army and Navy. It had only a barren Sub-Treasury, which in every effort of the Government to make loans was known to be antagonistic to the customary commercial operations of the State Banks. The Sub-Treasury was in no way connected with Clearing House operations, and could not check on the banks for Government disbursements, and if the Government borrowed money on its bonds from the banks, the money had to be paid into the Sub-Treasury in gold and silver coin, or treasury notes, which at once weakened the bank reserves, and tended to disturb the whole financial business of the country. The Sub-Treasury law was a positive obstacle to a successful management of the finances in the great war then in progress to maintain the Union."

In his report of December, 1861, Mr. Chase, Secretary of the Treasury, stated that the existing bank note circulation issued by about sixteen hundred local banks was governed by the laws of thirty-four states and rested upon the credit of those private corporations, the total circulation of which he estimated to be 202,000,000 dollars, of which 150,000,000 was in the loyal States and 50,000,000 in those in rebellion. The Government being without any National paper currency, Mr. Chase recommended the National Bank Act requiring that each National Bank which issue national currency shall redeem it

on demand "in lawful money of the United States." After being amended in several particulars the National Currency Bank bill as prepared by Mr. Spaulding in December, 1861, was reported from the Finance Committee on the 2nd of February, 1863, and passed after a debate on the 12th. Subsequently considered by the House it passed there on the 20th. Mr. Spaulding says:

"At first the act limited the amount of currency to be issued under it, to $300,000,000. but by a subsequent act this limitation was removed. Free banking is now allowed to all the people who comply with its provisions. There is no longer a monopoly of banking under the laws of the United States. It is a system of National Banking and National Currency coextensive with the boundaries of our National Union. It requires the circulating notes to be well secured by gold-bearing Government bonds, deposited with the Treasurer of the United States; requires each bank to redeem its circulating notes in lawful money on demand, and to keep an adequate reserve for that purpose; makes them a legal tender for all taxes and other debts to the Government, except customs, and for all debts owing by the Government, except principal and interest of the funded debt; it also makes them receivable by each National Bank for all ordinary debts due to them, and each bank, designated as a depository, is also required to receive it on deposit from all public officers. These are important provisions in the law for *nationalizing* this currency, and it consequently obtains a wide circulation. Congress, by the Act of March 3rd, 1865, drove all State Bank circulation out of existence by the imposition of a tax upon it of ten per cent."

In concluding this sketch of the progress made in banking in the United States, and for which we must make our acknowledgments to Mr. Spaulding for having drawn so largely from his centennial address, we give the subjoined further remarks:

"The refusal of Congress to recharter the first United States Bank, and the arbitrary and illegal action of the Executive in regard to the second United States Bank,

seriously retarded the progress of sound banking, under the authority of the United States. By these blunders the Government and people have been deprived of the great benefits they would have received from the stability given to business by the continuance of such an institution. In spite, however, of this incongruous and unwise action of Congress and the Executive there has been real progress made in the business of banking during the last hundred years. The Bank of North America in Philadelphia, the Bank of New York in New York City, the Massachusetts Bank in Boston, the three first banks organized in the United States, have always maintained a respectable position, and are to-day performing their duties to the public, and are favorably regarded for their high-standing and solidity. Having been reorganized, they are to-day doing a prosperous business under the present National Bank Act.

"Most of the Banks organized in the principal cities since January 1st, 1790, have maintained their existence in some form, have increased their capitals, have done a successful business, and are now highly creditable institutions, and doing as good a business as the present state of trade will admit."

LIBRARY OF THE UNIVERSITY OF CALIFORNIA.

CHAPTER XVII.

ANGLO-INDIAN BANKING.

Any treatise on the banking system of this country would be incomplete without a reference to the constitution and operations of those important institutions usually termed the Anglo-Indian banks, whose province it is to facilitate and encourage the commerce of Great Britain with her gigantic dependency, as well as with China, Japan, and other countries of the far east. When it is remembered that the aggregate exports and imports of India alone now amount to upwards of one hundred millions sterling per annum, and that the great bulk of this enormous business is financed through London, it will be readily understood that the transactions of this division of our banking community form no inconsiderable portion of the entire banking business of the country, and that they frequently exercise an important influence on the condition of the London money market.

Although English banking in India commenced in the early part of the present century, it is only within the last fifteen years that it has assumed important dimensions. An increase in the number of banks and in the extent of their operations and resources is usually concomitant with the growth of the commerce and prosperity of the country with which they are connected, and this is seen to be the case with regard to India, although, owing to the peculiarly distrustful character of the natives, banking under English management has not made such rapid strides as might have been expected in a country which possesses immense wealth, and has enjoyed for many years the advantage of British rule. It is an im-

portant fact bearing on this subject, and one worthy of the attention of our statesmen, that notwithstanding the length of time which has elapsed since the establishment of British supremacy in India, and the recognized justness and stability of our Government, the vast majority of the natives still prefer to hoard their money, or to place it in the hands of the shroffs or natives bankers, rather than invest it in Government securities or deposit it with banks under the management and control of Europeans. This feeling of distrust is well exemplified in a return recently issued by the Indian Finance Minister, in which it is shown that out of Rs.71,64,57,470 composing the registered debt of India, Rs.54,20,44,487, or 75·66 per cent., was held by Europeans, while only Rs.17,44,12,983, or 24·34 per cent., was held by natives.* It is true that the percentage of the holding of the latter has increased slightly as compared with what it was six years ago, but the above figures are sufficient to prove that the richer class of natives do not look upon the securities of the Government with much favour.

The fabulous wealth which from time immemorial has been steadily poured into India, and which for the past forty years amounted in gold to £104,839,000 and in silver to £238,492,000, would in a more civilised country have formed the basis of immense financial and banking systems, but in India no sooner does the treasure arrive than it filters away into the interior in exchange for produce, and disappears from circulation. Much of the precious metals imported is converted into bangles and other personal ornaments, while large quantities are buried in the ground and otherwise hoarded. If only one fourth of the immense wealth which India has thus absorbed during the present century had been placed in the hands

* These figures refer only to the Rupee Loans which have been raised in India, and must not be taken to include the Sterling Loans issued in London. The total Funded Debt of India (irrespective of £96,000,000, the capital of the Guaranteed Railways) at March 31st, 1876, was officially stated to be £122,366,594 (taking the rupee at 2s.), and the average rate of interest 4·33696 per cent. Of the above amount £49,605,283 represented the Sterling Debt.

of banks, and through their medium rendered available for the construction of roads, railways, canals, and other works of public utility, the advantages that India would have derived therefrom would have been incalculable. As it is native capital has done little or nothing for the country, and whenever the Government has required money for railway and other public works, it has been obliged to come to London for a loan. Of those rupee loans that have been raised in India by far the greater part has been subscribed for by the banks and European capitalists, and we have recently seen that when one of the richest princes of India wished to construct a railway through a portion of his dominions, he resorted to this market for the necessary funds.

It may be argued that notwithstanding the vast influx of specie into the country, the great mass of the natives remain in a state of poverty, and live only from hand to mouth. This is doubtless true, but it is also a well-known fact that there are many thousands of Zemindars, Talookdars and other rich natives spread over India who hoard their accumulated wealth from one generation to another. It is these who sit calmly by and watch the Government spending the whole of its revenue and increasing its liabilities in its efforts to develop the resources of the country and to improve the condition of the people, well knowing that it is they who will ultimately derive the greatest benefit from the vast expenditure that is being incurred. The extension of the railway system enables them to send their produce to better markets, and while they receive an increased amount of rupees, they are happy in the knowledge that the rent which they pay to Government for their lands is permanently fixed, and cannot be altered to their disadvantage. The recent great fall in the Eastern exchanges, which caused a heavy loss to the Government, has been the source of considerable benefit to the native landowners, by stimulating the export trade of India, and raising the prices of raw produce.

It is to be hoped that the judicious policy lately announced by the Government of raising all fresh loans for public works in India instead of in London will be found

practicable, and even assuming that rupee loans could not now be raised on such favorable terms as were some of the recent issues, it would seem sound policy on the part of the Government to make some concessions as an inducement to the natives to subscribe more freely. The practice which has been pursued for many years of raising loans in London with interest and principal payable in gold, while the revenues of India are collected in silver, has at length proved to be fraught with such serious difficulties to the Government that it is not surprising they should endeavour to abandon it.

The Government has also acted wisely in establishing savings banks in India, and although the aggregate of the deposits at present received is not large, there is little doubt that in course of time the advantages which these banks offer will be more fully appreciated. At the beginning of 1876 the number of depositors had increased to 74,000, and the total of deposits amounted to about £1,900,000.

We have referred to the financial policy of the Government because that policy materially affects the operations and consequently the interests of the Anglo-Indian banks. As we shall explain further on, the banks depend to a great extent upon the Government for the means of remitting their funds to the East, while the Government has to rely upon the banks for the means of meeting their home expenditure; and in many other ways the operations of the banks are associated with the action of the Government.

Of the seven banks engaged in the Eastern Exchange business, three of them, viz.

The Oriental Bank Corporation,

The Chartered Mercantile Bank of India, London, and China,

The Chartered Bank of India, Australia, and China,

are incorporated under Royal Charter, and the liability of the shareholders is limited to twice the amount of the shares.

The Hong Kong and Shanghai Banking Corporation

was incorporated in July, 1869, by special ordinance of the Legislative Council of Hong Kong, which was subsequently confirmed by the English Government. The remaining three, viz.

The Agra Bank,
The National Bank of India, and
The Delhi and London Bank,

are registered under the Companies' Act of 1862, which, it is scarcely necessary to add, limits the liability of the shareholders to the nominal amount of the shares.

It will be seen from the following statement, compiled from the latest published balance sheets, that the aggregate capital and reserves of the above banks amount to £6,675,000, while their deposits exceed £23,000,000. The total resources of the seven banks, including undivided profits, and the sums raised by the sale of bills of exchange drawn on their various establishments and agencies, amount to no less a sum than £52,000,000.*

* We may here mention that some of the banks, viz. The Oriental Bank Corporation, the Chartered Bank of India, Australia and China, and the Agra Bank, Limited, issue only yearly statements to 31st December, while the others publish in addition half-yearly statements to 30th June. As in the latter instances, however, the statements are merely *ad interim* ones, and the bulk of the profits are left over to be dealt with at the close of each year, we have deemed it advisable, for the purposes of more correct comparison, to take the last issued *yearly* balance sheets of the seven banks, which are made up to 31st December, 1875.

Statement A.

Showing the Liabilities and Assets of the Anglo-Indian-China Banks at 31st December, 1875.

Name of Bank.	Liabilities.					Assets.				Dividend for the year.	Total Funds.
	Capital Paid up.	Reserve and Insurance Funds.	Deposits.	Bills Payable and Notes Issued.	Net Profits after providing for Bad Debts.	Cash and Bullion.	Government Securities.	House Property.	Bills Receivable and Loans.		
	£	£	£	£	£	£	£	£	£		£
Oriental Bank Corporation	1,500,000	500,000	11,238,049	7,789,267	168,068	3,086,735	2,305,820	254,574	15,469,782	11%	21,116,914
Chartered Mercantile Bank of India, London, and China . .	750,000	100,713	3,262,339	3,730,558	109,615	1,357,017	420,891	220,705	5,874,997	8	7,873,612
Chartered Bank of India, Australia, and China . . .	800,000	20,000	1,465,644	3,792,689	64,728	1,210,065	320,747	102,931	4,496,589	5	6,130,323
Hong Kong and Shanghai Banking Corporation . . . *	1,125,000	33,751	2,593,396	3,964,823	37,361	980,718	573,178	72,734	6,166,099	3	7,792,731
Agra Bank, Limited .	987,970	40,000	2,442,492	1,435,720	90,652	295,955	583,862	145,153	3,974,047	5	4,999,020
National Bank of India, Limited . . .	465,250	15,000	1,974,616	578,964	29,872	212,097	541,563	52,363	2,248,423	5	3,054,449
Delhi and London Bank, Limited . . .	337,625	„	380,024	347,419	17,902	63,427	172,182	41,670	798,420	4½	1,075,700
Total . £	5,965,845	709,464	23,356,560	21,639,440	518,198	7,206,014	4,918,243	890,130	39,028,357	—	52,042,749

* Converted into sterling at the exchange of 4/6 per dollar.

With regard to the deposits it is difficult to estimate what proportion is derived from India, several of the banks having branches and agencies in Australia as well as in China, Japan, and other places, nearly all of which receive deposits and allow interest thereon. It is known, however, that the deposits received at the London offices and at some of the agencies in Scotland of the various banks are very large, and form no inconsiderable portion of the total amount. This branch of the business has been much encouraged and developed by the favorable rates of interest allowed by the banks for moneys placed in their hands for fixed periods of one or two years. Formerly as much as 6 per cent. per annum was allowed on such deposits, but recently, owing to the lower value of money ruling both in London and India, it was found necessary to make a reduction in the rate, and the maximum is now 5 per cent., while one or two banks do not allow more than 4 per cent. In India also similar reductions have been made from time to time in the rates for fixed deposits, it being found difficult, if not impossible, in some years to employ to advantage money borrowed on high terms.

The annexed statement, comparing the present financial position of the six principal banks as a whole with what it was seven years ago, shows that while the increase in the paid-up capital has been at the rate of 22 per cent., the deposits have increased 25 per cent. As compared with the progress shown by some of our London banks, it must be confessed that this result is not very encouraging, but as we have already explained, this particular branch of banking in India is greatly hampered by the general unwillingness of the native to trust his money to the care of Europeans, and consequently it is not a matter for surprise that the deposits of the Anglo-Indian banks show such a moderate increase. The recent reduction in the rates of interest allowed may also to some extent have contributed to this result.

Statement B.

Showing the Changes in the aggregate Liabilities and Assets of the six principal Anglo-Indian-China Banks at 31st December, 1875, as compared with the same as they stood at 31st December, 1868.

Date.	Liabilities:				Assets.				Total Funds.
	Capital Paid up.	Reserve and Insurance Funds.	Deposits.	Bills Payable and Notes Issued.	Cash and Bullion.	Government Securities.	House Property.	Bills Receivable and Loans.	
	£	£	£	£	£	£	£	£	£
31st Dec., 1868 .	4,588,850	804,500	18,364,796	17,187,625	9,766,539	2,292,207	607,308	28,955,621	41,626,385
31st Dec., 1875 .	5,628,220	709,464	22,976,536	21,292,021	7,142,587	4,746,061	848,460	38,229,937	50,967,049
Increase . .	1,039,370	—	4,611,740	4,104,396	—	2,453,854	241,152	9,274,316	9,340,664
Decrease. . .	—	95,036	—	—	2,623,952	—	—	—	—

It will be observed that the item 'notes issued' appears in the balance sheets of some of the banks. These are chiefly issued in China, the exchange banks not being authorized to issue notes in India, the Government reserving to itself and the Presidency banks the exclusive right to this privilege. On the 31st December, 1875, the note issues of the following banks were:

Oriental Bank Corporation . . .	£814,869
Hong Kong and Shanghai Bank Corporation .	423,428
Chartered Bank of India, Australia, and China .	302,670
	£1,540,967

Subjoined is the average note circulation of the undermentioned banks during the month of December, 1875:

	Hong Kong.	Singapore.	Penang.	Total.
Oriental . . .	$491,954 ...	243,185 ...	— ...	$735,139
Mercantile . .	648,954 ...	483,270 ...	$376,480 ...	1,508,704
Chartered . .	542,084 ...	625,606 ...	144,430 ...	1,312,120
Hong Kong and Shanghai . .	1,468,702 ...	— ...	— ...	1,468,702

We do not propose to do more than take a passing glance here at the Presidency banks, viz. the Bank of Bengal, the Bank of Madras, and the Bank of Bombay, as they confine themselves to local business, and are not usually included in the term Anglo-Indian banks, which is understood to refer to those banks which transact exchange business with the East, and have establishments in London.

The Presidency banks were formerly officially connected with the Government, who appointed directors to look after the national interests at the respective boards; but after the disasters consequent on the mismanagement of the old Bank of Bombay, and the attempt subsequently made to render the Government liable for the loss which the shareholders thereby sustained, the Government took steps to sever its connection with the banks, and proceeded to dispose of the shares which it held. The Presidency banks have still the custody of a portion of the

Government balances, and in other respects their functions are similar to those of the Bank of England. They act as the bankers of the other banks, allowing no interest on deposits, and their rates of discount and interest charged on loans regulate the value of money in their respective markets.

During the Indian shipping season, which extends from October to May, the resources of the exchange banks are employed in the purchase of bills drawn against shipments to Europe and America of various kinds of produce, such as cotton, jute, indigo, tea, silk, seeds, hides, rice, &c., and occasionally when exchange rules low, large quantities of gold are bought by the banks from the native dealers, and exported to Europe. Indian Government rupee securities, known here as 'enfaced paper,' being negotiable in the London market, are also frequently used as a means of remittance both homewards and outwards. Formerly a large proportion of the bills drawn in India were negotiated 'clean,' *i. e.*, without any collateral security being attached; but since the commercial crisis of 1866-67, which brought down so many banks and firms connected with the Eastern trade, and more especially since the disastrous failure of Messrs. Gledstanes and Co. on the 3rd of September, 1872, by which nearly all the Anglo-Indian banks were heavy losers, much greater caution has been exercised by the banks in the selection of this class of paper, and except in a few special cases where the firms are known to be of undoubted wealth, 'clean' bills are looked upon with disfavour.

In these remarks we do not of course mean to include those bills which are drawn under the credits of the large accepting houses of the first rank, who are entirely distinct from the drawers of the bills. It is the practice of these houses only to issue their credits against securities deposited with them, and as bills drawn under their credits are readily discountable in the London market, they invariably command better rates of exchange when negotiated in the East. The remainder, and probably the largest proportion of the bills now remitted by the banks,

is accompanied by shipping documents representing the produce against which they are drawn, and these documents are either delivered up on acceptance of the bill or are retained by the bank until the bill has been retired under discount, or paid at maturity. It is obvious that while giving every facility to the legitimate operations of commerce, this system acts as a great check upon the creation of mere accommodation paper, and also places the business of the banks upon a sounder and more satisfactory footing. There is little doubt that it was owing to the general adoption of this wholesome rule that the Anglo-Indian banks escaped the serious losses which were incurred by the London banks through the failure of Messrs. Alexander Collie & Co., who at one time were largely drawn upon from the East. We cannot here refrain from alluding to the very unsatisfactory results that have usually attended the liquidation of English firms engaged in the Eastern trade which have failed in recent years, as compared with the results of the winding-up of French houses similarly circumstanced. Considering the great fluctuations which are continually taking place in the value of Eastern produce, this circumstance would seem to demonstrate that our neighbours conduct their extensive business with more prudence if not with greater skill. The only important French failure which has occurred in the Eastern trade lately was that of Messrs. Chartron père, fils, and Monier, of Lyons, who suspended in 1875 in consequence of the continuous and heavy fall which had taken place in silk, in which staple they were largely interested. The Anglo-Indian Banks were holders to a considerable extent of bills drawn upon this firm by houses in Shanghai and Hong Kong, against shipments of silk, some of the bills being 'clean,' while others were accompanied by the relative shipping documents. In order to avoid the bankruptcy of the firm, the wives of the partners voluntarily gave up their private fortunes, amounting to about £60,000, to the creditors, and the firm offered to pay in full with interest by instalments spreading over several years. Their offer was unani-

mously accepted, and the creditors recently had the satisfaction of receiving the full amount of their claims with interest at 5 per cent.—the payment of the last instalments having been anticipated. Such a result is most creditable to French commercial morality, and it is to be regretted that similar instances are so rarely to be met with on this side of the channel.

Soon after the termination of the Bombay cotton season in May the China tea, silk, and sugar season commences. The products of the Philippine Islands and Japan also begin to come forward about this time, and as the aggregate value of these exports is very considerable, large sums of money require to be provided by the banks to enable them to finance the business which springs up at the various shipping ports. These funds are usually laid down by shipments of Mexican dollars and bar-silver from London or San Francisco, and also by the sale of drafts drawn on Bombay and Calcutta. At times a strong demand exists in China for the means of remittance to India, chiefly on the part of the opium merchants, who thus arrange payment for their purchases of the drug in the Indian markets, and this enables the banks to place funds in China through India more expeditiously and frequently on more advantageous terms than could be done by the direct shipment of specie. The value of the opium imported annually by China may be estimated at from eight to ten millions sterling, and as this greatly exceeds the value of the imports of India from China, the latter country remains largely indebted to the former. It is this fact which accounts for China not requiring such large amounts of specie to be shipped from this side as the balance of trade between her and this country would seem to warrant, the difference being adjusted by remittances to India, which dependency is also our creditor. It sometimes happens that the banks provide themselves with more than sufficient funds in China to meet the requirements of the season, in which case bills on London become in strong demand, and a sharp decline in exchange usually follows.

On the other hand it occasionally turns out, and notably so last year (1876), that the amount required is underestimated, and before the season is half over, the banks are found to be impoverished. Last year, owing probably to the reports of a small China silk crop, and the continuous fall in silver which made buyers hesitate, the banks neglected shipping as much specie as usual to China, and when, in consequence of the failure of the silk crops in France and Italy, the value of that staple rose suddenly from 60 to 100 per cent., and it was, moreover, discovered that the China crop was larger than expected, it soon became evident that the banks were not rich enough in resources to deal with the enormous business that quickly sprung up. In Shanghai exchange on London rose rapidly from 5s. 1d. in July to 5s. 11d. in September, while rates on India went up in the same proportion. Money also appeared to be scarce among the natives, and no relief could be expected from London, as silver would take about two months to arrive. Mercantile bills were offering in large numbers, but owing to the smallness of their specie reserves the banks were unable to purchase freely, and the merchant not being able to raise the funds he expected, experienced considerable difficulty in carrying through his engagements. At this juncture, when matters were rapidly drifting towards a dead-lock, the Chinaman came to the rescue in a manner which showed his great astuteness and business-like ability. He offered to buy the banks' drafts on London and India at the high rates of exchange then ruling on the understanding that the banks would repurchase them at a much lower rate two or three months hence. Some of the banks were glad to provide themselves with cash on these terms, the result to the Chinaman being that besides making a gain equal to interest at the rate of 30 per cent. per annum, he enabled the banks to purchase the bills of the merchants, who in their turn were enabled to go on buying silk, and the Chinaman thus secured a market for his produce which he might otherwise have missed. An instance of this kind shows that where their

interests are concerned, the orientals are not surpassed in intelligence by any of the more civilised western nations, and our experience of India and the East generally tends to prove that whenever the European makes a mistake the native is not slow to profit by it.

In addition to the purchasing of bills of exchange, the receiving of deposits, and the granting of temporary advances on Government securities and merchandise, the Anglo-Indian banks have another equally important and profitable branch of business. This consists of the sale of drafts on their various branches and agencies, those on London being drawn chiefly on demand, and at six months' sight. A considerable proportion of the import trade of India and China is settled by remittances of bank bills from the East, and recently the facility offered by the banks of transmitting money by 'telegraphic transfer' has become greatly in favour. While, however, the merchant prefers the six months' sight draft or the telegraphic transfer, the private individual as well as the Government official chooses as a rule the demand draft as a means of remittance to his friends and relatives at home, and the aggregate amount of this description of drafts sold by the banks during the year is very large. It is difficult to arrive at even an approximate figure, but the total amount of 'family remittances' has been estimated at from three to four millions sterling per annum, and looking at the numerous class in India who remit their savings home, or bring them with them when they return, we do not consider the estimate an extravagant one. Lord George Hamilton in his speech on the last Indian Budget stated them to amount to "many millions," and ascribed to them an important influence on the Eastern exchanges.

The arrival of a heavy Indian and China mail, bringing as it frequently does during the busy season remittances to the extent of from one to two millions sterling, causes some commotion in the London discount market, and the bill brokers are seen actively chasing each other in and out of the different banks in their eagerness to secure the

best bills, and for these, or 'pictures' as they are called, the finest rates are offered. Last year (1876) such was the plethora of money, and so great was the competition for first-class paper, that bankers' acceptances having six months to run were at one time readily taken as low as $1\frac{3}{8}$ per cent., whilst three months bills were discounted at $\frac{5}{8}$ per cent. These, of course, may be regarded as exceptionally low rates, but they were none the less welcome to the Anglo-Indian banks, who were thereby enabled to convert their remittances into cash on unusually favorable terms.

As we have already stated, large numbers of bills received from the east, having collateral security attached, are not discountable in the open market, while many, especially those remitted from China, are drawn on French houses. These latter are either negotiated here, or are forwarded to the banks' agents in France for collection.

The French being now large importers of Eastern produce (it is estimated that about one half of the last China silk crop was bought on their account), it follows that the Anglo-Indian banks sometimes hold considerable amounts of bills on France, which, *pro tanto*, assist in adjusting the balance of our indebtedness to that country. In the purchase of such bills, and more or less in every branch of their business, the Anglo-Indian banks find a keen competitor in the Comptoir d'Escompte de Paris, which has had, for some years branches in India, China, and Japan, and conducts, in connection with its London establishment, an extensive exchange business with the East.

After the conclusion of the Franco-German War, the Deutsche Bank (of Berlin) also entered the field as a competitor, but its operations not having proved successful, its Eastern branches have recently been closed.

We have now traced the operations of the banks in India and China, and have seen how their funds are invested and brought home to Europe. It remains to be shown in what manner these funds are replaced in the east, and again rendered available for similar operations.

There are various modes in which return remittances are made, but they are chiefly as follows:

Shipments of Specie.
Council Bills and Telegraphic Transfers.
Mercantile Bills of Exchange.

The specie shipments to the East consist mainly of bar silver, which is shipped in large quantities every year to India, and on arrival is either sold in the bazaars, or sent into the Mints for coinage into rupees. Gold is also occasionally shipped, being made up into small bars suited for the Indian markets. For China, Mexican dollars, being in favour with the natives, form the principal mode of remittance, while shipments of bar silver are sometimes made. Recently large amounts of Austrian florins have also been remitted *viâ* Venice to Bombay.

The peculiar financial position of India in relation to this country has been the means of providing the banks with a mode of remittance outwards, which is more convenient than and equally as safe as shipments of specie. We refer to the drafts drawn by the Secretary of State for India on the treasuries of Calcutta, Bombay, and Madras. The expenditure of the India Government in this country on account of interest on sterling loans and guaranteed railway stocks, retired pay, furlough allowances, pensions, annuities, stores, &c., amounts in round figures to about fifteen millions sterling per annum, and in order to provide the necessary funds, the Government invites tenders weekly for its drafts on India, which are payable in rupees on demand. Recently the Government has also given applicants the option of tendering for telegraphic transfers, and these are payable in India the day after payment is made here by the purchaser. Allotments are made to the highest bidders, but the Government reserves to itself the right of fixing a minimum without declaring it. The results of these weekly issues are looked forward to with the greatest interest by the banking and mercantile community, as they are the barometer which indicates and frequently regulates the course of the Eastern exchanges. Not only does a vast multitude of transactions connected

with our Eastern trade hinge upon the allotments of these bills, but upon them also depends to a great extent the value of silver in the markets of Europe. Indeed, so great is the influence exercised on financial and commercial transactions throughout this country and the East by the result of a single issue of Council bills, and so great is the uncertainty attending it, depending almost entirely as it does on the action of the Anglo-Indian banks, that it appears exceedingly doubtful if the Government were well advised in departing from its former practice of inviting tenders twice a month only. By the new system of weekly issues, which was suddenly introduced at a time of difficulty, the fluctuations in exchange, and the consequent changes and uncertainties in the Eastern trade, have been more than doubled. Formerly there could be at the most twenty-four allotments during the year, but under the present system there may be as many as fifty-two. Moreover, the comparatively small amount now offered on each occasion places it in the power of one or two institutions to force up exchange artificially, and this could not fail to act most prejudicially upon Eastern business generally, and especially upon the export trade of India. Any advantage which the Government might derive from the higher rate thus temporarily obtained would be more than counterbalanced by the disturbance caused to commerce, which would show itself sooner or later in a diminished demand for their bills. The additional anxiety, labour, and expense entailed by these weekly issues on the banking and mercantile community are very considerable, and as it is extremely doubtful if the Government derive any compensating advantage from them, it is to be hoped that the Secretary of State will see his way ere long to revert to the old policy, which for many years worked successfully, of issuing his drafts only on the first and third Wednesdays in each month.

The third mode of remittance to the East, to which we have referred, viz. mercantile bills of exchange, does not require much explanation. They are usually drawn at 30 and 60 days after sight, and are in most cases accompanied by

relative shipping documents, which are hypothecated to the purchasing banks. By adopting this precaution, the drawers of the bills as well as the banks which negotiate them are protected against loss, as the drawees cannot obtain possession of the goods without paying the drafts which are drawn against them. Besides the bills which are thus purchased by the banks at the current rates of exchange, large numbers are sent out for collection and return of proceeds, the banks charging a commission for carrying through the business. A considerable part of our export trade with India and China is settled in this manner, the balance being arranged by remittances from the other side in bills and telegraphic transfers. We here annex a statement compiled from official returns showing the value of the exports and imports of India in merchandise and bullion for the six years ending 31st March, 1876. We have added to this statement the amount of the drawings of the Secretary of State during the same period, as these are equivalent to further importations of goods, and reduce proportionately the balance of trade in favour of India. These figures show that the apparent unadjusted balance due to India at the 31st March, 1876, was about two millions, and if we deduct the difference in exchange on the Government drawings, it is reduced to less than one million sterling. When it is remembered that this includes the large balance due by China to India, and that no allowance is made for family remittances homewards, it will no longer be a matter for surprise that the Eastern exchanges experienced a serious fall in the summer of last year. Although that fall may have been accelerated and intensified by special circumstances affecting the silver market, it is not too much to say that it was to a great extent justified by the then existing state of eastern trade.

STATEMENT C.

Showing Exports and Imports of India, and proceeds of Council Bills drawn from 1870-71 *to* 1875-76.

Year.	Value of merchandise exported.	Treasure exported.	Total.	Value of merchandise imported.	Treasure imported.	Proceeds of Council Bills drawn.	Total.	Apparent balauce in favor of India.
	£	£	£	£	£	£	£	£
1870-71	55,336,186	2,220,765	57,556,951	34,469,119	5,444,823	8,443,509	48,357,451	9,199,500
1871-72	63,189,732	1,495,642	64,685,374	32,091,849	11,573,813	10,310,339	53,976,001	10,709,373
1872-73	55,231,463	1,308,579	56,540,042	31,874,625	4,556,585	13,939,095	50,370,305	6,169,737
1873-74	54,981,561	1,958,512	56,940,073	33,836,029	5,792,533	13,285,678	52,914,240	4,025,833
1874-75	56,359,229	1,625,309	57,984,538	36,222,087	8,141,046	10,841,615	55,204,748	2,779,790
1875-76	56,210,000	2,200,235	58,410,235	38,515,000	5,300,072	12,389,613	56,204,685	2,205,550
Total	341,308,171	10,809,042	352,117,213	207,008,709	40,808,872	69,209,849	317,027,430	35,089,783

In recent years great changes have taken place in the mode of conducting our business with India and the far East, and while some of these have been advantageous, others have tended to increase the uncertainty, and thereby add to the difficulties of Eastern exchange banking. Among the most important influences conducing to these changes may be mentioned the opening of the Suez Canal, and the completion of direct telegraphic communication with India and China. The former has greatly facilitated the transmission of merchandise between this country and the East, and it is mainly in consequence of the large shipments of produce now made by steamers passing through the Canal that the usance of a considerable portion of the bills at present drawn in India has been changed from six months' to three months' sight. This is particularly noticeable in the case of bills drawn in Bombay against consignments of cotton, seeds, &c., and now that shipments round the Cape of Good Hope have largely diminished, it appears probable that the shorter usance will become very generally adopted. Improved telegraphic communication has introduced an entirely new feature into our Eastern business, which we have already briefly referred to, viz., the payment of money under telegraphic advice. With the aid of a private telegraphic code, these payments can be made with the greatest accuracy and despatch. For instance, a merchant in Calcutta wishing to remit a sum of money to his correspondent in London applies to a bank, say at 3 o'clock in the afternoon, for a telegraphic transfer. The necessary advice is immediately wired on by the bank, and if the lines are in proper working order the amount is paid over by its London office to the person indicated during banking hours on the same day. It is even unnecessary for the Calcutta merchant to advise his correspondent by wire, as the bank will do that for him. The difference in the rate of exchange for telegraphic transfers as compared with that for demand drafts does not usually amount to more than a charge for interest for one month at the rate of 5 or 6 per cent. per annum.

The telegraphic charges are trifling, and it costs no more to remit £20,000 than it does £20.

The advantages both to the banker and merchant of this rapid transfer of capital are so manifest that it is unnecessary to enlarge upon them here. We would only remark generally that while it has the undoubted effect of tending to equalise the value of money in the chief centres of commerce, the economy of capital effected cannot fail on the other hand to produce an increased competition in all the great markets of the world.

In former years the profits of the banks which were first engaged in the Eastern exchange business were very great, and handsome dividends were easily earned. Large reserves were also accumulated, but these were much diminished, and in some cases altogether extinguished by the disastrous crisis which succeeded the period of inflation of 1864-65; and although the number of banks was reduced by the suspension of some of those institutions which had been most active in encouraging the rampant speculation then rife, the banks which survived the storm found the amount of legitimate business left to them limited in extent, and the struggle to obtain a fair share of this gave rise to a keen spirit of competition between them, which has continued up to the present time.

The uncertainty regarding the future value of silver, depending as it does upon the inscrutable action of the German and United States Governments, the unsettled policy of the India Council regarding the raising of loans and the issue of their drafts, are further difficulties which have arisen in the last few years to embarrass and perplex the Anglo-Indian banker. Notwithstanding these, it is satisfactory to observe that the banks have, with occasional exceptions, earned good dividends for their shareholders, and the respective managements may fairly be congratulated on the general success of their operations.

CHAPTER XVIII.

SHORT ACCOUNT OF THE ORIGIN AND CONSTITUTION OF THE BANK OF FRANCE, AND THE IMPERIAL BANK OF GERMANY, WITH THE CONDITIONS UPON WHICH THEY TRANSACT BUSINESS, THE NUMBER OF BRANCHES, ETC.

The Bank of France

was founded by Napoleon I at the beginning of this century, and an institution then existing, and called "Caisse d'escompte," which was established in 1776, was amalgamated with it. The capital of the Bank of France was at first 30,000,000 francs, divided into 30,000 name shares of 1000 francs each. The bank commenced business on the 20th February, 1800, and was presided over by a committee of fifteen members. Its operations consisted of discounting and collecting bills, opening of current accounts, issuing notes payable to bearer on demand, and receiving deposits, on which it paid interest.

In 1803 the bank was granted for fifteen years the monopoly of issuing notes, the capital being raised at the same time to 45 millions by the issue of 15,000 new shares. Since that time provincial banks have not been able to issue notes except under Government licence.

In the autumn of 1805 the bullion reserve of the bank was very small, and the Government ordered the bank to encash only 600,000 francs of notes per diem, the total amount of notes issued which, moreover, had fallen to a discount of 10 per cent. to 15 per cent., being 70,000,000 francs. This state of affairs continued till the beginning of 1806.

In 1808 the monopoly of the bank, which was to expire in 1818, was extended to 1843, and the capital of the

institution was doubled by the issue of 45,000 new shares of 1000 francs each. From this time the bank, which had retained the character of a private company, became essentially a Government institution, with private commandite partners. The management was confided to a governor and two sub-governors named by the Government, and to fifteen regents and three censors, who are nominated by the shareholders, and who form the general council. The governor presides over this council, and has to sign its decisions. The sub-governors have a vote and a seat at the council, and rank with the regents.

In 1808 the bank acquired the right to open branches, which were established at Lyons, Rouen, and Lille.

By purchasing 15,000 of its own shares in 1812, and 7100 in 1816, the bank reduced its capital to 67,900,000 francs, at which it remained till 1848.

The Government had reserved to itself the right of allowing the issuing of notes by provincial banks, and between 1817 and 1838 it granted such permission to several banks, viz. in 1817 and 1818 to the banks of Rouen, Nantes, and Bordeaux, in 1835 to the banks of Marseilles and Lyons, and in 1837 to 1838 to the banks of Havre, Lille, Toulouse, and Orleans.

At that time the Bank of France began to establish more branches, and up to 1848 it had fifteen in operation. In that year the above-named nine provincial banks were amalgamated with the Bank of France, whose shares were augmented by 23,350, so that the total was 91,250. In consequence of the political events of 1848 the bank asked the Government to be allowed to suspend payment. The Government granted this request, and decreed the forced currency of the bank notes on condition that the whole issue of notes should not exceed 350,000,000 francs. In consequence of this decree, the notes which had been at a discount of 5 per cent. rose to par. This maximum was raised to 525,000,000 francs in 1849, and in August, 1850, the maximum was done away with altogether, and the notes were again convertible.

In 1857 the monopoly of the bank was continued until

31st December, 1897, and the capital was doubled to 182,500 shares, the new shares being issued at 1100 francs, the difference of 100 francs between the nominal price and that of issue going to the reserve, which was fixed at 10,000,000 francs.

In consequence of the Franco-German war the notes of the Bank of France were declared legal tender, and became a forced currency on 12th August, 1870, and the limit of the circulation was fixed at 1,800,000 francs. This limit was raised to 2,400,000 francs in December, 1870, to 2,800,000 francs in December, 1871, and to 3,200,000 francs in July, 1872. The notes remain still inconvertible, but are at par with gold.

Since 1848 the Bank of France has had the sole right of issuing notes in France, and paid up to 1871 ½ per mille and since 25th August, 1871, 1 per mille stamp duty on its issue to the Government.

If the rate of discount rises above 6 per cent. the extra profit goes to the reserve.

As long as the notes had not a forced currency, no limit was prescribed to the amount of the circulation or to the proportion of the specie kept as cover for the notes; all this was left to the discretion of the management.

The Bank of France does the following business:

(1) It discounts bills not longer than three months. The paper must have the signature of three parties known as solvent, but since 1848 the third signature may be replaced by goods warrants, or warehouse receipts.

(2) It encashes bills or other documents;

(3) Opens current and deposit accounts, and

(4) Receives valuables for safe custody against ⅛ per cent. commission.

(5) It advances on bullion, French funds, shares and obligations of French railways, and the obligations of the City of Paris and the Credit Foncier;

(6) Makes advances to French municipalities; and

(7) Issues notes.

The Bank of France has the following branches:

A.

Agen, Amiens, Angers, Angoulême, Annecy, Annonay, Arras, Aubusson, Auxerre, Bar-le-Duc, Beauvais, Besançon, Blois, Bordeaux, Bourges, Caen, Chalons-s.-S., Chambéry, Chartres, Chateauroux, Chaumont, Clermont Ferrand, Dijon, Dunkerque, Epinal, Evreux, Flers, Havre (le), Laval, Lille, Limoges, Lons-le-Saunier, Lyons, Mans (le) Moulins, Nancy, Nantes, Nevers, Niort, Orleans, Périgueux, Poitiers, Reims, Rennes, Rochelle (la), Roubaux-Tourcoing, Rouen, Saint-Brieuc, Saint-Etienne, Saint-Lô, Saint-Quentin, Sedan, Tours, Troyes, Valenciennes, Versailles, Vesoul.

B.

Avignon, Bayonne, Brest, Carcassonne Castres, Grenobles, Lorient, Marseilles, Montauban, Montpellier, Nice, Nîmes, Rodez, Toulon, Toulouse, Valence.

C.

Bastia.

The Bank grants bank post bills (*billets à ordre*) from any one of the above places on any other of them charging a commission of 0·05 franc for every 100 francs. The minimum commission on each bill is 0·50 franc. The smallest amount for which bills are issued is 100 francs.

Bills presented at the Bank for discount must have the following number of days to run (exclusive of Sundays or holidays) :

On the places under A	4 days.
On the places under B	5 „
On Bastia	8 „

The minimum discount deducted on bills taken by the Bank is for ten days.

Since 1876 the Bank of France has opened the following new branches :

Auch, Aurillac, Belfort, Bourg, Cahors, Digne, Foix, Gap, Mende, Mont de Marson, Perpignan, Le Puy, La Roche-sur-Yon, Tarbe, Tulle.

The German Imperial Bank (Reichsbank)

is the successor of the Bank of Prussia. The latter was founded in 1765 by Frederic II as a state bank. In 1846 it was reorganized, the state ceasing to be the only proprietor and the public taking up a part of the capital. At that time the state contributed 1,260,000 thalers, the public 10,000,000.

The bank discounted commercial bills, not having more than three months to run, bought the loans of the Prussian government or the provincial corporations as investments, and advanced against these securities. It took likewise money on deposit, dealt in bullion and advanced against merchandize up to 50 per cent. of its value. Its authorized note issue was 21,000,000 thalers.

In 1856 the restriction with regard to the amount of the notes to be issued was done away with, and the bank was authorized to issue its notes to any amount, provided that it always kept them covered in the proportions of $\frac{1}{3}$ in bullion and $\frac{2}{3}$ in bills not having more than three months to run. In the same year the capital furnished by the public was raised to 15,000,000 thalers, the interest of the state in the concern having increased to 1,809,000 thalers.

After the German war of 1866 the capital supplied by the public was again raised by 5,000,000 thalers, the share of the state being then nearly 2,000,000 thalers. The reserve was 6,000,000 thalers, and the profits were divided as follows. At first the bank was under the obligation to pay the state yearly 621,910 thalers until 1925, as interest and sinking fund on a loan of 1856. After providing for this amount $4\frac{1}{2}$ per cent. was given to the shareholders, $3\frac{1}{2}$ to the state, and of the remainder $\frac{1}{4}$ was placed to the reserve, $\frac{3}{8}$ divided among the shareholders and an equal proportion paid to the state.

In 1875 on the conversion of the Bank of Prussia into the German Imperial Bank, Prussia received back its share of the capital (1,906,800 thalers) and half of the

reserve. Moreover the new bank had to pay to Prussia a compensation of 15,000,000 reichsmark, and to undertake to pay until 1925 yearly the sum of 621,910 thalers. The shareholders of the Bank of Prussia could either demand repayment of their capital plus their share of half the reserve, or they could exchange their shares against those of the Imperial Bank.

The German Imperial Bank is under the supervision of the government. The capital is 120,000,000 Rm. consisting of 40,000 shares of 3000 Rm. each The bank buys and sells gold, discounts bills not having more than three months to run, and not less than three (exceptionally two) signatures; makes advances for not longer than three months on specie, on German government securities up to $\frac{3}{4}$ of their value, on non-German government securities up to $\frac{1}{2}$ of their value, on bills of exchange up to 90 per cent., or on merchandise up to $\frac{2}{3}$ of its value. It buys and sells stocks and shares on commission, makes payments and collections, receives money on deposit * and valuables for safe custody. Part of its funds may be invested in German government securities, or German railway debentures.

The bank issues notes (see below) of which $\frac{1}{3}$ must be covered by gold or German paper money (Reichskassenscheine of which the government may issue 120,000,000 reichsmark) and $\frac{2}{3}$ in bills on Germany of not longer currency than three months. The bank is obliged to cash its notes at Berlin in legal money (gold or Reichskassenscheine) and to issue its notes against gold bars at the price of 1392 Rm. per 1 lb.

The charter of the bank ends in 1891, when the government has the right of liquidating the concern or of buying up all the shares at their nominal price, the reserve being divided equally between the shareholders and the government.

The profits are divided as follows:

(1) The shareholders receive $4\frac{1}{2}$ per cent.

* The total of the deposits on which interest is paid must not exceed the capital plus the reserve.

(2) One fifth of the remainder goes to the reserve fund till the latter reaches 25 per cent. of the capital.

(3) Half of what then remains is divided among the shareholders; half goes to the Imperial treasury till the shareholders get 8 per cent. After that the shareholders get $\frac{1}{4}$, and the treasury $\frac{3}{4}$.

Should the profit be less than $4\frac{1}{2}$ per cent. it is brought up to this figure out of the reserve fund.

With regard to the issue of notes the law establishing the Imperial bank made the following regulations for the German Empire.

In 1875 there existed in Germany besides the bank of Prussia, thirty-two other banks issuing notes under widely different charters. The law of 1875 forbade the circulation of these notes outside the state which had granted the charter, unless these banks submitted to certain rules, the most important of which were (1) always to keep $\frac{1}{3}$ of the notes covered by gold, and $\frac{2}{3}$ by three months' bills, and (2), to pay the notes at Berlin or Frankfort. Eighteen banks (exclusive of the Reichsbank) submitted to these rules and consequently their notes are allowed to circulate throughout the whole of the Empire. The other banks either gave up their circulations in favour of the Reichsbank or continue a local issue.

The notes of the German banks are not legal tender, and the lowest denomination is 100 Rm. The issuing banks are not allowed to accept bills on commission or to speculate in stocks. They must publish their status four times a month, and a balance sheet once a year.

We have stated above that the Bank of Prussia could issue notes to any amount, after having had at first a maximum fixed for its circulation. The new German law has adopted neither of these two systems, but has instead introduced a new principle, the "elastic principle" as it has been called, which fixes for each bank a limit for its note issues without legal cover, and which it can only exceed by paying a tax of 5 per cent. on the excess to the government, a system the merits of which can only be thoroughly tested under circumstances of financial difficulty.

The banks which issue notes circulating throughout Germany, together with the amounts they may issue free of tax without cover in legal money, are as follows:

Reichsbank	Rs. 272,720,000
Städtische Bank in Breslau . .	1,283,000
Kölnische Privatbank . . .	1,251,000
Magdeburger Privatbank . . .	1,173,000
Danziger Privat Actienbank . .	1,272,000
Provincial Actienbank des Grossherzogth. Posen	1,206,000
Hannoversche Bank . . .	6,000,000
Frankfurter Bank . . .	10,000,000
Baierische Noten Banks . . .	32,000,000
Sächsische Bank zu Dresden . .	16,771,000
Leipziger Kassenverein . . .	1,440,000
Chemnitzer Stadtbank . . .	441,000
Würtembergische Notenbank . .	10,000,000
Badische Bank	10,000,000
Bank für Süd-Deutschland . .	10,000,000
Commerzbank in Lübeck . . .	959,000
Bremer Bank	4,500,000
Rostocker Bank	1,155,000
	Rm. 382,171,000

In case any bank discontinues the issue of notes, the Imperial bank is allowed to add to its fiduciary issue the amount of notes which the retiring banks used to issue without cover.

The German Imperial Bank has the head office at Berlin, and has the following branches:

Aachen, Altona, Aschersleben, Augsburg, Barmen, Belgard, Bernburg, Bielefeld, Bochum, Brandenburg-a-H., Braunschweig, Bremen, Breslau, Brieg, Bromberg, Carlsruhe, Cassel, Chemnitz, Coblenz, Colberg, Cöln, Cöslin, Constanz, Cottbus, Crefeld, Creuznach, Crimmitschau, Danzig, Darmstadt, Dillenburg, Dortmund, Dresden, Düren, Düsseldorf, Duisburg, Elberfeld, Elbing, Emden, Erfurt, Essen, Eupen, Finsterwalde, Flensburg, Forst, Frankfort-o-M., Frankfort-o-O., Freiburg-i-Br., Fürth, Gera, M. Gladbach, Gleiwitz, Glogau, Gnesen, Görlitz, Graudenz, Greifswald, Greiz, Grünberg, Guben, Gumbinnen, Hagen, Halberstadt, Halle-a-S., Hamburg, Hanau, Hannover (Linden), Harburg, Heidelberg, Heil-

bronn, Hildesheim, Hirschberg-i-Schl., Insterburg, Iserlohn, Kaiserslautern, Kempten, Kiel, Königsberg-i-Pr., Krotoschin, Lahr, Landsberg-a-W., Landeshut-i-Schl., Lauenburg, Leipzig, Lennep, Liegnitz, Limburg-a-L., Lissa, Lübeck, Ludwigshafen, Lüdenscheid, Magdeburg, Mainz, Mannheim, Marienwerder, Memel, Meerane, Metz, Minden, Mühlhausen-i-Th., Mühlhausen-i-Els., Mühlheim-o-R., München, Münster, Naumburg, Neisse, Neuss, Neustadt-a-H., Nordhausen, Nürnberg, Offenbach, Osnabrück, Ostrowo, Pforzheim, Plauen-i-Voigtl, Pleschen, Posen, Prenzlan, Quedlinburg, Ratibor, Rawitsch, Reichenbach-i-Schl., Remscheid, Reutlingen, Rostock, Saarbrücken, Sagan, Schneidemühl, Schwedt-a-O., Schwelm, Schwiebus, Siegen, Solingen, Sommerfeld, Sorau, Speier, Spremberg, Stargard-i-P., Stettin, Stolp, Stralsund, Strassburg-i-El., Stuttgart, Suhl, Swinemmünde, Thorn, Tilsit, Trier, Ulm (Neu-Ulm.), Wetzlar, Wiesbaden, Witten-o-Ruhr, Worms, Zeitz, Zittau.

Bills of Exchange to be discountable by the Bank must not be longer than three months. The discount deducted is at least for four days on bills on the same place, and for ten days on other bills. The minimum discount on each bill is Rm. 0.60. The bank collects money for $\frac{1}{6}$ per cent., coupons for $\frac{1}{4}$ per cent., commission, and pays money at any place where it has branches against receipt of the amount at another place, charging a commission of $\frac{1}{3}$ per mille for the first Rm. 3000, and $\frac{1}{6}$ per mille for the sum beyond Rm. 3000. If such payments are made by way of delegations, these latter are subject to the German bill stamp ($\frac{1}{2}$ per mille).

The head office of the bank and the branches at Altona, Dresden, Hannover, and Frankfort, buy of well-known persons or firms, gold in bars or coins, on the following conditions :

1. The bars must weigh at least 5 lb., and possess a fineness of at least 900.

2. The buying price is 1392 Rm. p. lb. payable after completion of the assay. Charge for assaying Rm. 3 p. bar.

3. Sovereigns, Imperials, are bought at Rm. 1275·072, American Eagles at Rm. 1252·104, and Napoleons at Rm. 1251·408 p. lb.

The branches at Bremen, Cologne, and Strassburg, are likewise buying sovereigns, imperials, eagles, aud Napoleons at the above prices. Gold coming from abroad may be sent to any branch, and the amount will be paid by any other branch without charges.

CHAPTER XIX.

THE DIFFERENT SYSTEMS PURSUED IN THE NEGOTIATION OF PUBLIC SECURITIES AT LONDON, PARIS AND BERLIN CONTRASTED.

The London Stock Exchange.

Transactions in public securities take place in London in the Stock Exchange, composed of about 1500 members, which alone have the right of entering the building and of closing contracts there.

The members of the house are divided into two classes, the 'brokers' and the 'jobbers.' The former simply execute the orders for purchases or sales given to them by their clients, the latter are dealers on their own account, buying when stock is offered and supplying the market when stock is demanded. A broker when asked the price of a security goes to a jobber who gives him two prices, one at which he is ready to buy, the other at which he is inclined to sell. It is, therefore, customary at London in quoting public securities to give two prices, one being the buying, and the other the selling price. The difference between these two prices depends on the market; for securities, which are easy of sale, it is $\frac{1}{8}$ to $\frac{1}{4}$ per cent., for those difficult of negotiation $\frac{1}{2}$ to 1 per cent., and even more. The jobbers live upon what they can make out of these differences, called the 'turn of the market.'

Transactions in securities in London are always for the next 'selling day' unless it be specially agreed that they are for money. The prices quoted always refer to the

next settlement; 'Consols,' however, are quoted both for the account and for cash. The settlement takes place twice a month towards the 15th and the 30th; for Consols, however, there exists only one settlement per month, about the 4th.

The bi-monthly settlement or liquidation extends over three days. The first day is the 'name day' for the declaration of options and contangoes; the second is the 'ticket day' for the transfer of registered stock; the third is the 'pay or settling day' for the delivery of stock and the settlement of accounts.

There are two 'making-up prices,' one for the 'name day,' the other for the 'ticket day.' The carrying over of stock is generally effected at the making-up price of the name day.

Besides the contracts for sales and purchases of securities, the Stock exchange recognises transactions in 'Options,' in which by the payment of a certain amount of money one party to the contract acquires the right of withdrawing from it. This right exists till a quarter to 3 P. M. on the 'name day' of the settlement for which the business was done. The following are the 'options' mostly dealt in:

'Call,' *i.e.* the right of buying a certain stock for a fixed time and at a fixed price. Those who acquire this right are said to be 'giving for the call;' those who concede it are 'taking for the call.'

The 'Put' is the right of selling a certain amount of any stock for a fixed time and at a fixed price. Those who acquire this right are said to be 'giving for the put,' those who concede it are 'taking for the put.'

The 'Put and Call' is the right of buying or of selling a certain amount of any stock for a fixed time and at a fixed price.

The 'Call of More' is giving the right to the purchaser of a certain amount of stock at a certain price for a fixed time of demanding of the seller the same amount at the same price.

The 'Put of More' is giving the right to the seller of

a certain amount of stock at a certain price for a fixed time of delivering to the purchaser the same amount at the same price.

The Paris Bourse.

The 'bourse' at Paris is divided into two parts; the 'parquet' and the 'coulisse.'

The 'parquet' is the meeting of the official brokers (*agents de change*) whose number is limited by law to sixty. At 3 P.M., when the bourse closes, the quotations of the prices of public securities, of the foreign exchanges, and of bullion, are officially fixed by the parquet.

The 'coulisse' is an open market.

French rentes, Italian rentes, and bank and railway shares are mostly negotiated in the 'parquet;' all the other securities, such as Turkish, Russian, Spanish and United States are generally dealt in at the 'coulisse' (*valeurs en banque*). This custom is, however, not always strictly observed, and sometimes transactions in the same security take place in the parquet as well as in the coulisse.

The quotations are given both for cash and for the account.

The settlement takes place once a month in the French funds, the shares of the Bank of France, of the crédit foncier and of the French railways; and twice a month for all the other securities.

The liquidation extends over five to six days, viz. as follows:

On the 15th or the 30th the declaration of options.

1st. Settlement of the French funds.

2nd and 16th. Settlement of all the other securities.

3rd and 17th. Days devoted to the office work of brokers.

4th and 18th. Payment by the clients to the brokers.

5th and 19th. Payment by the brokers to their clients.

If a Sunday or holiday intervenes the non completed part of the settlement is adjourned for a day.

The 'options' dealt in at Paris are only the 'simples primes,' *i.e.* contracts by which the buyer by paying fr. 0.25, fr. 0.50, fr. 1 or fr. 2 for each fr. 3, three per cent. French rentes or each 5 fr., five per cent. French or Italian rentes, or 5 fr., 10 fr., or 20 fr. for each share of obligation acquires the right of demanding delivery or stock at a certain price, or can withdraw from the contract by forfeiting the amount paid.

In Paris the securities which bear a fixed interest, are not, as in London, negotiated as stock (capital), but as rentes. In order to ascertain the amount of capital from a given amount of rentes, we have to multiply the latter by 100 and divide the product by the rate of interest the stock bears.

Fr. 1000 rentes 4% are thus $=\frac{100{,}000}{4}=$ fr. 25,000, or £1000 capital.

„ 1000 „ 3% „ $=\frac{100{,}000}{3}=$ fr. 33,333⅓, or £1333⅓ „

„ 1000 „ 5% „ $=\frac{100{,}000}{5}=$ fr. 20,000, or £800 „

The capital expressed in pounds is therefore for the 3 per cent. rentes equal to $1\frac{1}{3}$ the amount of the rentes in francs; for the 4 per cent. rentes equal to the amount of the francs in rentes; and for the 5 per cent. rentes equal to $\frac{4}{5}$ths the amount of the rentes in francs.

The Berlin Börse.

The 'Börse' at Berlin, the place where the public securities are negotiated, is a meeting of bankers and merchants as well as of the brokers, official and non-official. The official hours are from 12 o'clock till 2.30 P.M.

The quotations are either for 'cash' or for the 'account.'

The settlement takes place through the Stock Exchange clearing house (*Borsen Liquidations Bureau*) once a month, and extends over five days as follows:

Three days before the last of the month: declaration of options.

Two days before the last of the month: the accounts are sent in to the clearing house at the making-up prices.

The day before the last of the month: the accounts are handed back from the clearing house.

The last of the month: delivery of stock against payment at the making-up prices.

The first of the following month: settlement of the differences.

The transactions in securities are either '*fix*' or '*fix and taglich*,' or *mit Ankündigung fix and taglich*.'

In the first case the business is settled on a fixed day, in the second the buyer is obliged to take up the stock at the latest on a fixed day, but has the option of demanding delivery earlier; in the latter case the seller has to deliver the stock at the latest on a fixed date but can do so earlier.

A remarkable feature of the dealings in stocks at Berlin is the existence of the so-called '*Mittelcurs*,' which we shall now explain.

The orders for buying and selling given to the official brokers are either 'at best' or 'at the price of the day but not above or below a certain price. These two kinds of orders, the limited and the unlimited, are made use of by the brokers to fix the price of the day: the '*Mittelcurs*.'

Thus there exists at Berlin for each 'cash' stock only *one* price each day, at which all transactions are settled. The 'mittelcurs' now is that price at which all orders of sales limited below and all orders of purchases limited above as well as all orders given 'best' are executed, whilst the orders given for that price may only be partially executed.

This 'Mittelcurs' is generally qualified either by a 'bz,' *i.e. bezalt*, paid, or by a 'G,' *i.e. Geld*, money, or by a 'B,' *i.e. Brief*, letter, which indicates to what extent the orders at that particular price could be executed.

This 'Mittelcurs' is always fixed at the closing of the 'Börse' and sometimes therefore materially differs from

the 'fixed' prices at which the stock might have been dealt in during 'change.' Most of the cash transactions and commission orders are given to the brokers to be executed '*zum Course*,' *i.e.* at the 'Mittelcurs;' all time bargains, however, as well as some of the cash business, *f. i.* that done as 'arbitrages' are concluded at 'fixed' (*feste*) prices, which are at once definitely settled.

A good deal is done at Berlin in 'options.' The premium given for these is not, however, paid in advance, as in London, but is included in the price of the stock and only paid, as a kind of forfeit money, if afterwards the contract is cancelled. If the buyer pays this premium it is called '*Vorprämie*' (call), if the seller pays it, it is called '*Rückprämie*' (put).

The business called '*Stellage*' is the London 'put and call;' and the '*Nochgeschäfte*' are the same as the 'put of more' and 'call of more' in London.

English and Continental Banking briefly contrasted.

We cannot, we think, better begin this chapter than by remarking, what is, however, already pretty well known. that banking as understood and practised by the numerous English and Scotch Joint Stock or private banks is as yet little developed on the continent.

In Great Britain bankers are essentially the middlemen between the capitalists and the traders and merchants, the great connecting link between the lending and the borrowing classes. On the continent banks and bankers are mostly themselves engaged in transactions, which according to English notions would belong to the province of merchants. Thus we see such great institutions as the Comptoir d'Escompte, the Société Générale, the Disconto Gesellschaft and the Credit Anstalt, mixed up in transactions with foreign governments in a way in which no English bank is likely to be. To enable the reader the better to contrast the different systems upon which Eng-

lish and continental banking are conducted, we will briefly state in what respects they differ.

The large profits which the great English banks make are derived chiefly from the employment of money placed with them on deposit or current account by their customers. It is customary to keep a fairly good balance on the current account on which little or no interest is allowed, and a certain proportion of these aggregate balances is employed in making advances and in discounting bills. The conditions under which English banks are thus able to earn the greater part of their dividends, do not exist to any extent as yet on the continent. On the one hand it is not the custom for people to keep banking accounts, and on the other there is scarcely that amount of sound commercial paper afloat which would enable bankers safely to employ their money by such means. The system of paying by cheques likewise is very little cultivated on the continent; most people keep the money required for their daily wants in their own tills and discharge their liabilities in bank notes. This accounts for the fact that both France and Germany have a larger circulation of bank notes than England, though the extent of their commerce is smaller. The continental system necessitates the maintenance of a larger bullion reserve, which means capital locked up, which would otherwise as a rule be usefully employed as is the case in England, where the cheque is daily becoming a more efficient substitute for the note.

Unable to earn dividends in the way the English banks do, the continental banks have to seek other channels in which to work profitably to themselves and others.

The continental banks which issue notes more closely resemble the English banks as regard their manner of conducting their business. The nature of the transactions of these institutions is limited in a great measure by legal enactments, and they are obliged therefore to confine themselves more to the business of discounts and deposits. The deposit business on the continent has as yet received little or no attention as compared with this

country. The issue of notes has always been looked upon on the continent as more important than the deposits, and banks have persistently endeavoured to extend their operations by increasing their note circulation, while they have shown indifference to the question of deposits. It is only since 1876 that the Reichsbank in Germany has begun to encourage the opening of drawing accounts (*Girogeschäft*) on the English system.

A second class of so-called banking institutions on the continent is that designated "Crédits Mobiliers." They do not issue notes, but their business consists to a small extent of receiving deposits and discounting bills. Their principal transactions are of a speculative character such as the placing of foreign loans, the acquisition of real estate or vessels, the working of factories, &c. The first institution of this kind was established as long ago as 1772 by Frederic the Great and called the Prussian "Seehandlungs Societät." For eighty years this example found no followers, but in consequence of the success of the 'Crédit Mobilier' of France, organized in Paris in 1852, by Messrs. Pereire, this class of banking concern became a great favorite and many companies have been formed on its model.

A class of banks the like of which does not exist in this country are the 'Mortgage banks' or 'Crédits Fonciers.' These make advances on real property up to $\frac{1}{2}$ or $\frac{3}{5}$ of its value, raising the money required by the issue of debentures. The capital of these banks serves as a kind of guarantee fund, and some of them, as for instance, the Crédit Foncier of France, enjoy excellent credit and have been exceedingly useful in many different ways, but we doubt if their operations are at all times sound, or that a thorough investigation into their position would show as satisfactory a state of affairs as is apparent on the surface. The different conditions under which real property is held in France, probably has something to do with the existence of these institutions in that country, and their absence comparatively speaking with us.

There are some other classes of banks on the continent,

but they are of no great importance. The 'Exchange banks' do a similar business to the concerns of the same name in the city of London; and the so-called 'Building banks' answer to our building societies. A peculiar class of banks are the so-called 'Makler banks,' or Broker banks. These were first started with great success at Berlin in 1871. Through their directors and employés they do the business of brokers and back the signature of their attorneys by their capital which is generally employed in contangoes. The success of these institutions was, however, only ephemeral; when in 1873 the collapse came of stock exchange prices, most of them went into liquidation.

A genuine success in the way of continental banking have been the 'Co-operative Credit Banks' of Germany, Austria, Switzerland and Russia. These are popular associations whose object is to grant credits or to afford facilities for the cheaper acquisition of raw materials or articles of consumption, or even for the working of manufactories. The members are mostly liable to an unlimited degree for the obligations of the associations, and thus jointly command better terms than they singly could obtain. The co-operative or the friendly societies in England would correspond to these continental institutions which we mention only on account of the attention which has been given to them by political economists.

In concluding our remarks upon this subject we should mention that the great difference between the English and the continental banking systems arises from the different positions occupied by the principal banking establishments in England and abroad. The Bank of England still continues to be the great bank of issue of the United Kingdom and the great bullion reserve of the country. But side by side with this institution there exist now in London large banks of deposits commanding an influence over the English money market greater than that of the Bank of England. These powerful banks of deposit do not exist on the continent. The 'Banque de France' in France and the 'Reichsbank' in Germany with their

numerous branches are by far the most powerful institutions in their respective countries and absorb the discount business to an extent which gives them an almost complete control over their respective money markets.

Table of Cardinal Numbers and

	English.	French.	German.	Spanish.	Italian.
1	one	un	ein	uno	uno
2	two	deux	zwei	dos	due
3	three	trois	drei	tres	tre
4	four	quatre	vier	cuatro	quattro
5	five	cinq	fünf	cinco	cinque
6	six	six	sechs	seis	sei
7	seven	sept	sieben	siete	sette
8	eight	huit	acht	ocho	otto
9	nine	neuf	neun	nueve	nove
10	ten	dix	zehn	diez	dieci
20	twenty	vingt	zwanzig	veinte	venti
30	thirty	trente	dreissig	treinta	trenta
40	forty	quarante	vierzig	cuarenta	quaranta
50	fifty	cinquante	fünfzig	cincuenta	cinquanta
60	sixty	soixante	sechzig	sesenta	sessanta
70	seventy	soixante-dix	siebenzig	setenta	settanta
80	eighty	quatre-vingt	achtzig	ochenta	ottanta
90	ninety	quatre-vingt-dix	neunzig	noventa	novanta
100	hundred	cent	hundert	cien	cento
1000	thousand	mille	tausend	mil	mille
Day	day	jour	Tag	dia	giorno
Week	week	semaine	Woche	semana	settimana
Month	month	mois	Monat	més	mese
Year	year	année	Jahr	año	anno
On demand	on demand	à présentation	nach Sicht, bei Vorzeigung	á presentacion	a presentazione
At sight	at sight	à vue	a vista	á la vísta	a vista
After sight	after sight	à jours de vue	nach Sicht	á...dias vista	dopo vista
After date	after date	à jours de date	nach Dato	á...dias fecha	dopo data
Pay to the order	pay to the order	payez à l'ordre	für mich, *or* uns, an die Ordre	á la órden	pagate a l'ordine
I promise to pay	I promise to pay	je payerai	werde ich, *or* werden wir bezahlen	pagaré	pagare
With interest	with interest	avec intérêts	mit Zinsen	con interés	con interesse

Commercial Terms in Eleven Languages.

Portuguese.	Dutch.	Russian.	Turkish.	Danish.	Swedish.
hum, *m.* / huma, *f.*	een	odin	bir	en	en
douo, *m.* / duas, *f.*	twee	dva	iki	to	twâ
tres	drie	tri	utch	tre	tre
quatro	vier	tschetire	dirt	fire	fyra
cinco	vyf	piat	bech	fem	fem
seis	zes	schest	alti	sex	sex
sete	zeven	sem	yedi	syv	sju
outo	acht	vosem	sekiz	otte	åtta
nove	negen	deviat	dokouz	ni	nio
dez	tien	desiat	on	ti	tio
vinte	twintig	dvatzat	yirmi	tyve	tjugu
trinta	dertig	tridzat	otouz	tredive	trettio
quarenta	veertig	sorok	kirk	fyrgetive	fyrtio
cincoenta	vyftig	piatdesiat	elli	halvtred / sindatyve	femtio
secenta	zestig	schestdesiat	ultmish	tredsinstyve	sextio
setenta	zeventig	semdesiat	yedmish	halvfierds / indstyve	sjuttio
oitenta	tachtig	vosemdesiat	seksen	fiirsindstyve	åttio
noventa	negentig	devianosto	doxen	halvfems / indstyve	nittio
cem	honderd	sto	yuz	hundredre	hundra
mil	duizend	tisiatsch	bin	tusinde	tusen
dia	dag	den	guùn	dage	dag
semana	week	nedela	hafta	uger	wecka
mez	maanden	mesiats	aï	maaned	månad
anno	jaar	god	sène	aar	år
á presentação	op vertoon	po vostre- / bovanii	isteghindé	paa an- / fordring	på anfordring
á vista	op zight, / á vista	po prediavlenii	ghiordu- / ghiunde	a vista	vid sigt
á...dias vista	dagen na zigt		ghiordu- / ghiundèn / sora	efter sigt	efter sigt
á...dias data	dagen na dato	ot vische- / pisanna- / cho / tschisla	tari- / hindèn / sora	efter dato	från dato
pagase á ordem	voor my, / aan / de order	zaplatite / po / prikasu	emriné ver	behag at, / betale til / ordre	behagar att, / betala till / ordre
pagarei	Ik neem / aan te / betalen	ta obiaza- / jous / zaplatit	endemeyé / soz / veirim	jeg for- / pligter / mig at / betale	jag förplig- / tar mig att / betala
com intereses	met interest	sprozentami	faiz ila	med rente	med ränta

PRINTED BY
J. E. ADLARD, BARTHOLOMEW CLOSE, E.C.